



LINDT & SPRÜNGLI

Sustainability Report

2020

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Foreword by our CEO and CFO



Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group



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

Dear readers,

The global pandemic has presented immense challenges not only for our company, but for society as a whole. Lindt & Sprüngli has been strongly affected by the restrictions and regulations introduced to contain Covid-19. Our focus has been on implementing comprehensive measures to protect our employees, consumers, business partners, suppliers, and farmers producing our raw materials, as well as to preserve business continuity.

The past year has clearly shown how closely society, health, the economy, and the environment are interlinked and how quickly everything can get out of balance. For us, economic success, environmental protection, and social responsibility go hand in hand. Respect for and responsibility towards our stakeholders and the environment shape our day-to-day actions. Assuming responsibility is no easy task, but as a company we try to contribute every day. We strive to be guided by fairness, transparency, and sustainability in our actions. Together with our global partners, we have already achieved a great deal and overcome significant challenges, yet in many areas we are only just beginning to build a sustainable future for chocolate and still have a learning journey in front of us. The Lindt & Sprüngli Sustainability Plan is our pathway, demonstrating our commitment for a better tomorrow. This comprehensive strategy addresses the sustainability issues that are impacted most through our business activities – both from a risk and opportunity perspective.

Despite this difficult year, we still managed to fulfill important commitments of our Sustainability Plan. For many years now, we have emphasized responsibility in our cocoa bean supply chain through our own sustainability program – the Lindt & Sprüngli Farming Program. We are proud of this commitment and are delighted that we have

achieved a major milestone: all our cocoa beans are now 100% traceable and verified. This is an important step toward the sustainable production of our chocolate products. Notwithstanding, our commitment goes beyond the responsible sourcing of cocoa beans. We are working on sourcing all cocoa ingredients and many other raw and packaging materials through sustainability programs by 2025. In 2020, we also reached milestones in the areas of water consumption and reduction of CO₂ emissions: In our manufacturing process per ton of production compared to 2015, we achieved a more than 20% reduction in greenhouse gas emissions as well as a 22% decrease in municipal water consumption.

We are proud to announce new commitments within this report, such as several ambitious sustainable packaging targets and a formal commitment to define a science-based emission reduction target within the next two years, with a long-term goal to reach net-zero emissions. Therefore, we are accelerating our efforts to reduce the impact of our activities and products on climate change.

With the continued support of our outstanding employees and valuable partners, we aspire to minimize our negative and maximize our positive impacts on the environment, society, and the economy along our value chain. We feel proud and motivated to continue the progress we have already made by presenting our eleventh Sustainability Report.

A blue ink signature of Dr. Dieter Weisskopf, CEO of Lindt & Sprüngli Group.

Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group

A blue ink signature of Martin Hug, CFO of Lindt & Sprüngli Group.

Martin Hug
CFO Lindt & Sprüngli Group

About Lindt & Sprüngli



Lindt & Sprüngli has been enchanting the world with chocolate for over 175 years. The traditional Swiss company with its roots in Zurich is the world leader in premium chocolate. Today, Lindt & Sprüngli quality chocolates are manufactured at 11 of its own production sites in Europe and the USA. These are sold by 29 subsidiaries and branches, in around 500 own shops and through a network of over 100 independent distributors around the globe. With over 13,500 employees the Lindt & Sprüngli Group achieved sales of CHF 4.02 billion in 2020.

Production, Marketing, and Sales

- 1 Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Switzerland
- 2 Chocoladefabriken Lindt & Sprüngli GmbH, Germany
- 3 Lindt & Sprüngli SAS, France
- 4 Lindt & Sprüngli S.p.A, Italy
- 5 Lindt & Sprüngli (Austria) Gesellschaft m.b.H., Austria
- 6 Lindt & Sprüngli (UK) Limited, United Kingdom
- 7 Lindt & Sprüngli (España) SA, Spain
- 8 Lindt & Sprüngli (Nordic) AB, Sweden
- 9 Lindt & Sprüngli (Poland) Sp. z o.o., Poland
- 10 Lindt & Sprüngli (CEE) s.r.o., Czech Republic
- 11 Lindt & Sprüngli (Russia) LLC, Russia
- 12 Caffarel S.p.A., Italy
- 13 Lindt & Sprüngli (Netherlands) B.V., Netherlands
- 14 Lindt & Sprüngli (North America) Inc., USA
- 15 Lindt & Sprüngli (USA) Inc. one Fine chocolate place, USA
- 16 Lindt & Sprüngli (Canada) Inc., Canada

- 17 Russell Stover chocolates, LLC 4900 oak Street, USA
- 18 Ghirardelli chocolate company, USA
- 19 Lindt & Sprüngli de México, S.A. de C.V., Mexico
- 20 Lindt & Sprüngli (Brazil) Holding Ltda., Brazil
- 21 Lindt & Sprüngli (South Africa) (Pty) Ltd., South Africa
- 22 Lindt & Sprüngli (Asia-Pacific) Ltd., Hong Kong China
- 23 Lindt & Sprüngli (China) Ltd., China
- 24 Lindt & Sprüngli Japan Co., Ltd., Japan
- 25 Lindt & Sprüngli (Australia) Pty Ltd., Australia

Regional offices

- 26 Chocoladefabriken Lindt & Sprüngli (Schweiz) AG, Rep. Office Dubai, Dubai
- 27 Lindt & Sprüngli (UK) Limited, Ireland
- 28 Lindt & Sprüngli (CEE) s.r.o., Hungary
- 29 Lindt & Sprüngli (España) S.A.U., Sucursal em Portugal, Portugal

Lindt & Sprüngli Guiding Principles

Our Purpose

We Enchant the World with
Chocolate ✦

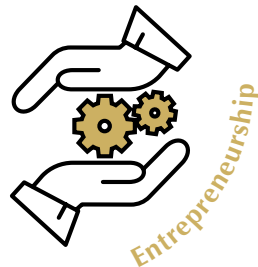
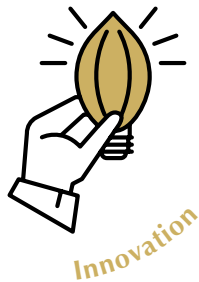
Our Credo

We are an international Group and are recognized as a leader in the market for premium quality chocolate. Our working environment attracts and retains the best people. Our partnership with our consumers, customers and suppliers is mutually rewarding and prosperous. We want to be recognized as a company that cares for the environment and the communities we live and work in. The successful pursuit of our commitments guarantees our shareholders an attractive long-term investment and the independence of our company.

Our Mission

We passionately create premium chocolate and related confectionary for the global market. We continuously identify and meet consumer preferences and cooperate with our partners along the value chain to contribute to a sustainable tomorrow.

Our Values



Main commitments and progress 2020

	Focus area	Main commitment	Progress
Improving livelihoods	Rural development	100% of cocoa (beans, butter, powder, and chocolate) is sourced through sustainability programs by 2025	<div><div></div><div></div><div></div></div> On track
	Human rights in the supply chain	80% of our procurement expenditure for raw and packaging materials bearing significant sustainability risks is covered by a sustainable sourcing program by 2025	<div><div></div><div></div><div></div></div> On track
	Biodiversity and ecosystems	100% of sourced cocoa is free from deforestation by 2025 (= covered by a fully implemented No-Deforestation & Agroforestry Action Plan)	<div><div></div><div></div><div></div></div> On track
Contributing to an intact environment	CO₂ and climate	10% reduction of greenhouse gas emissions in the production process from 2015 by 2020, per ton produced	<div><div></div><div></div><div></div></div> Achieved
		2% reduction of greenhouse gas emissions in the production process per year from 2020, per ton produced	New interim commitment
		Define a science-based target (including Scope 1, 2 & 3) with a goal to reach net-zero emissions in the long term, to be announced in 2023 latest	New main commitment
	Water	10% reduction of municipal water used in the production process from 2015 by 2020, per ton produced	<div><div></div><div></div><div></div></div> Achieved
		10% reduction of municipal water withdrawn in the production process from 2019 by 2025, per ton produced	New main commitment
Performing together	Waste and recycling	50% reduction of semi-finished product waste in the production process from 2015 by 2025, per ton produced	<div><div></div><div></div><div></div></div> On track
	Business integrity	We do not participate in any corrupt or anti-competitive behavior	<div><div></div><div></div><div></div></div> No deviations
	Occupational health and safety	We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents	<div><div></div><div></div><div></div></div> On track
	Enabling and motivating working environment	40% women on senior leadership level by 2025	<div><div></div><div></div><div></div></div> On track
Delighting consumers	Transparent and responsible communication	We market and advertise our products according to national/international laws	<div><div></div><div></div><div></div></div> No deviations
	Product quality/Product safety	We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis	<div><div></div><div></div><div></div></div> No deviations

Lindt & Sprüngli Sustainability Plan

Our Commitment for a Better Tomorrow

Sustainability plays a key role in ensuring our business success. Our history of over 175 years proves that we are a long-term-oriented company that continues to deliver exquisitely manufactured, high-quality products. We care deeply about preserving tradition, while striving to learn, improve, and innovate continuously. This includes focusing on sustainability and constantly evolving challenges, priorities, and stakeholder expectations. We conceived the Lindt & Sprüngli Sustainability Plan – our commitment for a better tomorrow – to equip ourselves for these developments and to create long-term added value for society, the environment, and the economy together with our global partners. In our Sustainability Plan, we focus on the social and environmental issues which are most affected by our business activities, are most significant to our stakeholders, and on which we can have the greatest possible impact. From a business perspective, this helps improve operational resiliency, increase employee engagement, secure the long-term supply of our high-quality key raw materials, and position the company for continued success.

With the Lindt & Sprüngli Sustainability Plan, we aim to foster successful collaboration within the company, improve the livelihoods of the farmers in the countries of origin, contribute to an intact environment, and delight our consumers. These four components form the framework of our Lindt & Sprüngli Sustainability Plan.

The Lindt & Sprüngli Sustainability Plan is based on the company ► *Credo* as well as on our promise that all products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain. Thus, it constitutes our strategy and at the same time it is the key tool for implementing sustainability along the entire value chain, from purchasing and production through to consumption. We review our progress annually and continue to reassess as well as adapt our management approaches to meet new challenges. Our annual Sustainability Report is the central means of communication on the progress we are making in implementing our Sustainability Plan.



Overview of our Lindt & Sprüngli Sustainability Plan

along the value chain with our sustainability purpose, focus areas, and main commitments

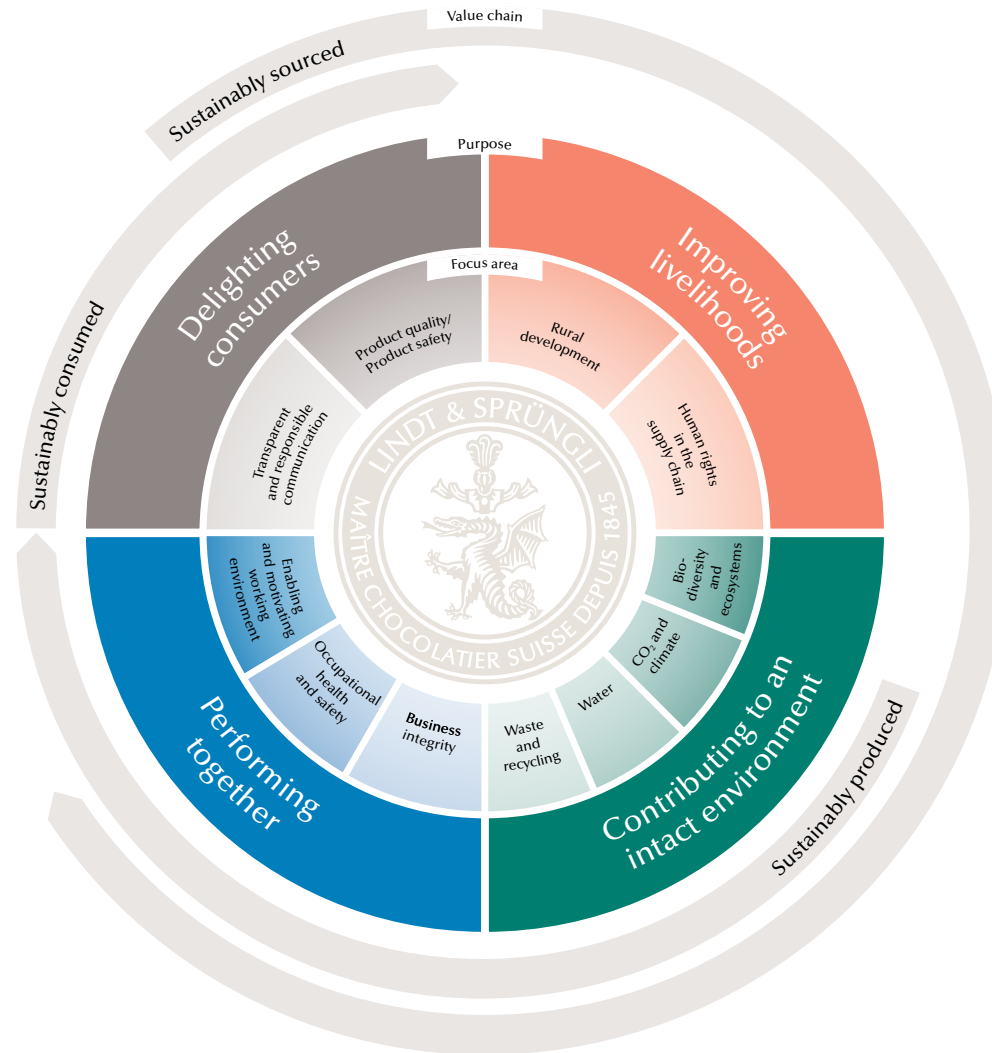
We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis

We market and advertise our products according to national/international laws

40% women on senior leadership level by 2025

We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents

We do not participate in any corrupt or anti-competitive behavior



100% of cocoa is sourced through sustainability programs by 2025

80% of our procurement expenditure for raw and packaging materials bearing significant sustainability risks is covered by a sustainable sourcing program by 2025

100% of sourced cocoa is free from deforestation by 2025

Achieved: 10% reduction of greenhouse gas emissions in the production process from 2015 by 2020, per ton produced

— New interim commitment:
2% reduction of greenhouse gas emissions in the production process per year from 2020, per ton produced

— New main commitment:
Define a science-based target (including Scope 1, 2 & 3) with a goal to reach net-zero emissions in the long term, to be announced in 2023 latest

Achieved: 10% reduction of municipal water used in the production process from 2015 by 2020, per ton produced

— New main commitment:
10% reduction of municipal water withdrawn in the production process from 2019 by 2025, per ton produced

50% reduction of semi-finished product waste in the production process from 2015 by 2025, per ton produced

Our sustainability purpose and focus areas

The Lindt & Sprüngli Sustainability Plan is organized into the four sustainability purpose components and eleven corresponding focus areas. Each focus area covers at least one material topic. These material topics have been identified based on our materiality analysis (> see Materiality process, p. 68).

To assess our performance, we have defined at least one measurable main commitment including a corresponding indicator for each focus area. To achieve our commitments, we have outlined effective measures, which will be implemented over the coming years within the framework of our Sustainability Plan.



Improving livelihoods

We want to support people along our value chain in creating decent and resilient livelihoods. The farmers, their families, employees, and the corresponding communities along our supply chain are at the center of our activities.

Rural development

Our Lindt & Sprüngli Farming Program and other sustainability initiatives for the sourcing of raw materials enable us to support farmers and their families in creating decent and resilient livelihoods.

Human rights in the supply chain

We respect the ► [UN Guiding Principles on Business and Human Rights](#), and we conduct our due diligence by means of a risk-based approach for the raw and packaging materials we source. Our ► [Supplier Code of Conduct](#) is a key instrument in this endeavor, as it requires adherence to social and environmental standards by our partners throughout the entire supply chain.



Contributing to an intact environment

An intact environment is essential for our company and the entire value chain. Therefore, we focus on protecting the environment and reducing the environmental footprint of our chocolate as well as its packaging.

Biodiversity and ecosystems

When it comes to preserving biodiversity and ecosystems, we work towards stopping deforestation in cocoa-growing areas. To address this challenge, we have developed and published a ► [No-Deforestation & Agroforestry Action Plan](#) for all countries of origin. In addition, promoting biodiversity using ecologically sound cultivation methods and promoting cocoa diversity are key elements.

CO₂ and climate

Building on existing efforts to reduce energy consumption and emissions in our production processes, we aim to reduce our total emissions footprint across our global operations and value chain in line with climate science. This is an important contribution to curb climate change, which we recognize as a threat to our environment.



Water

We consider water to be a valuable resource, and – as one of our direct measures – we are continuously reducing our consumption of water from municipal water supplies. We also aim to develop an integrated water management roadmap.

Waste and recycling

We are reducing our material waste during production by optimizing our processes on an ongoing basis. Furthermore, we continuously and proactively challenge our entire packaging portfolio (consumer, transportation, and display packaging) and strive to reduce the packaging materials used, increase recycled and sustainably certified content, and achieve full recyclability or reusability.



Performing together

As a premium chocolate company committed to high-quality standards, innovation, and sustainability, our employees are key to our future. Workplace safety is a top priority, we encourage and motivate our employees to achieve mutual success, and we support equal opportunities in the workplace.

Business integrity

We are committed to the principle of free competition and condemn any form of bribery or corruption. We hold both our employees and business partners to these standards.

Occupational health and safety

We adopt a proactive approach to prevent work-related injuries and illnesses in our factories. Our measures in the focus areas of rural development and human rights in the supply chain enable us to also address health and safety issues in our supply chain.

Enabling and motivating working environment

We create an attractive and enabling environment for our employees in order to acquire and retain talented staff. This includes, above all, an inspiring work culture, the promotion of diversity and equal opportunities, employee development and training, and employee satisfaction and retention.



Delighting consumers

In order to remain successful in the long term, we strive to continuously surprise and delight our consumers with innovative, premium chocolate products. We assume a high level of responsibility toward our consumers by ensuring transparent communication, product quality, and product safety.

Transparent and responsible communication

We are committed to communicate transparently and market responsibly. In line with our ► [*Responsible Marketing Policy*](#), we specifically avoid advertising to children, encourage responsible consumption, and provide nutritional transparency.

Product quality/Product safety

We have an all-encompassing quality management system and strict requirements for our chocolates. Comprehensive internal and external controls ensure that our chocolate meets our high-quality standards all around the world.



Improving livelihoods



Rural development

100% of cocoa (beans, butter, powder, and chocolate) is sourced through sustainability programs by 2025



Progress: 63% in 2020 (On track)

Relevance & context

Many farmers and farm workers producing raw materials used for chocolate face complex and structural challenges, particularly in rural areas in developing countries. These range from human rights issues and the challenge of generating a living income to general environmental protection issues. In many countries, everyday life is defined by structural poverty, malnutrition, child labor, a lack of infrastructure, limited access to financing, which are exacerbated by the increasing effects of climate change and ecosystem degradation.

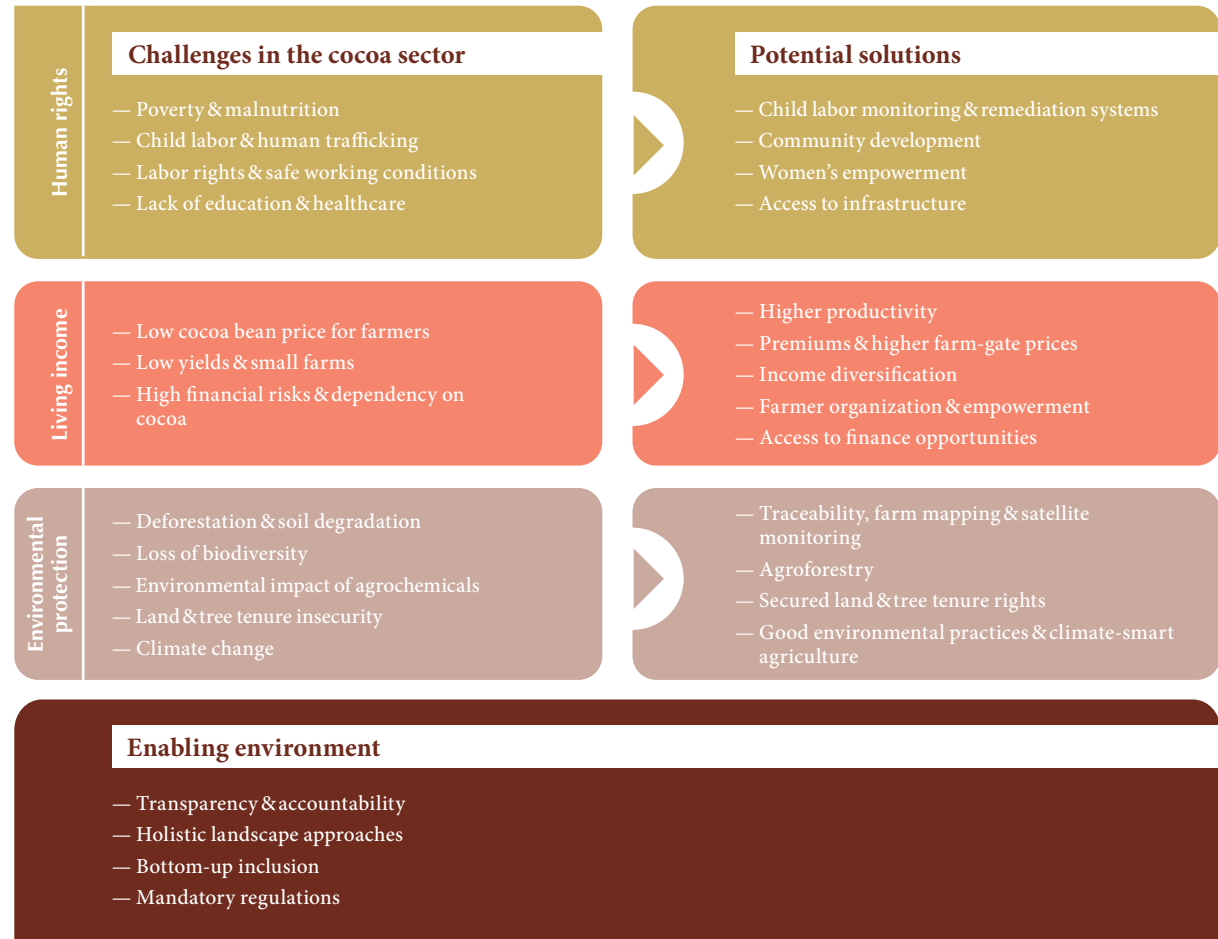
Management approach

We take responsibility for the sustainability issues associated with our supply chain, while recognizing that it requires joint efforts by the industry and respective governments. Through our collaboration with supply chain actors and other external partners, we support farmers producing our raw materials to achieve decent and resilient livelihoods, and thereby foster rural development. Our aim is to improve local living conditions in these rural areas and conserve natural resources, while fulfilling our consumers' expectations and building trust in our brands. The Lindt & Sprüngli Farming Program, our own sustainability program for sourcing cocoa beans, is at the heart of our activities involving rural development. Furthermore, we have additional sustainability programs and practices in place to promote rural development of other priority raw material supply chains in the long term (> see Sustainable sourcing, p. 36).



Challenges in the cocoa sector

Cocoa grows in what is called the cocoa belt – an area of land around the equator which provides the climatic conditions needed for cocoa plants to thrive. Cocoa is the main source of income for almost six million cocoa farmers worldwide¹. Cocoa is generally cultivated in the Global South, with over 74% of cultivation concentrated in West Africa alone². Chocolate manufacturers worldwide are faced with complex challenges in the countries of origin of their cocoa. Combating these challenges is essential. Genuine change, however, can only be achieved through a coordinated and integrated approach by all actors in cocoa-growing regions. Many of the problems are systemic and call for specific solutions for each cocoa-producing country, tailored to its economic, social, and infrastructural context.



Source: Lindt & Sprüngli, based on ► [Cocoa barometer 2020](#)

¹ Südwind Institut, Flächenkonkurrenz – das Beispiel Kakao, p. 1, 10/2013

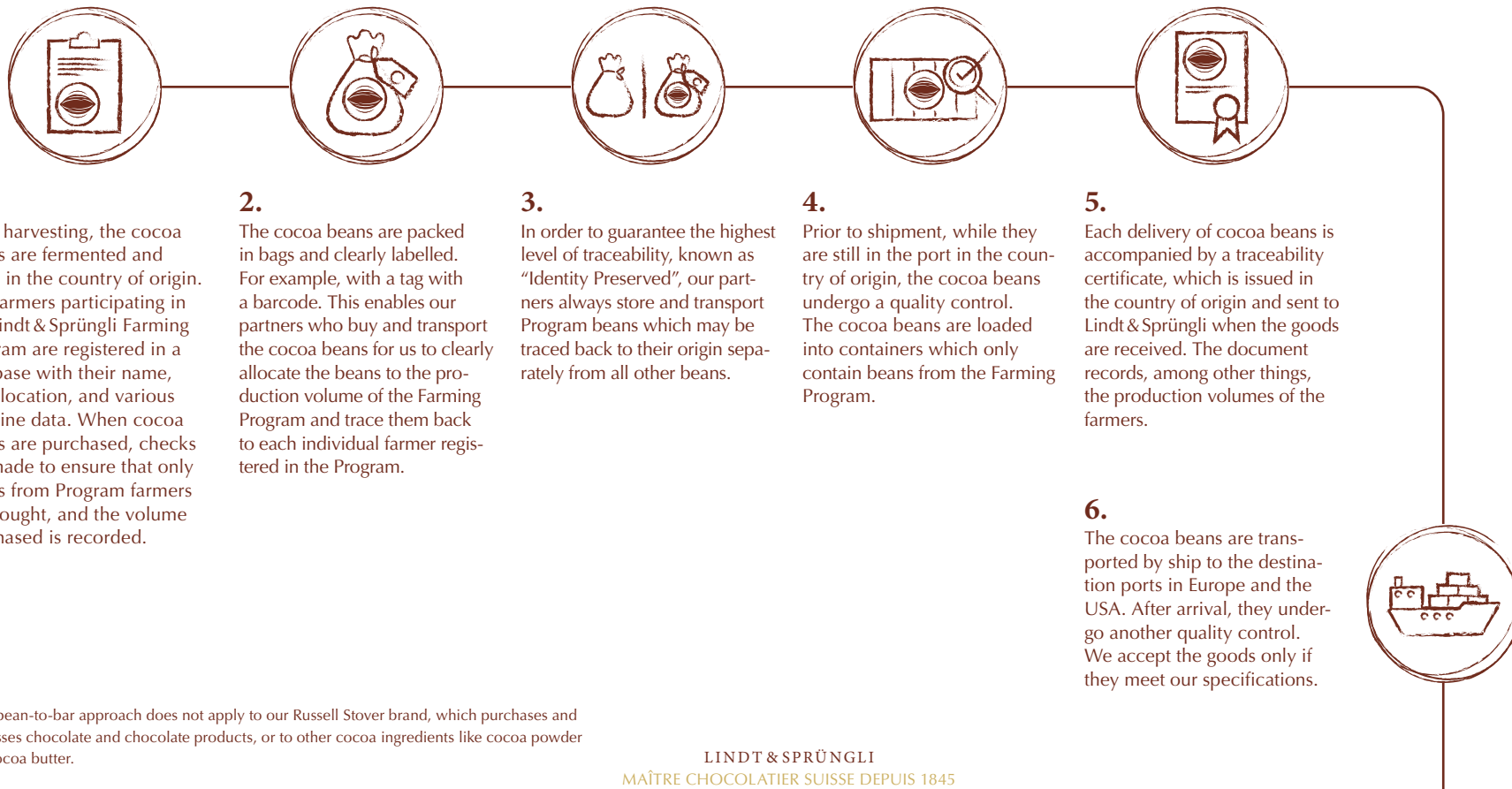
² Cocoa barometer 2020, p. 12

The Lindt & Sprüngli bean-to-bar approach

Lindt & Sprüngli is one of the few chocolate manufacturers producing from bean-to-bar – from the selection of fine cocoa varieties, sourcing of cocoa beans, and production of cocoa mass (also called cocoa liquor) to the finished product³. For us, traceability begins on the cocoa farm and does not end until the beans reach our production sites. We only

purchase cocoa beans from countries and farmers which are part of our own sustainability program – the Lindt & Sprüngli Farming Program. The traceability of our cocoa bean supply chain is the key foundation of our Program for improving living conditions in the growing countries in the long term. As a bean-to-bar manufacturer, we have extensive

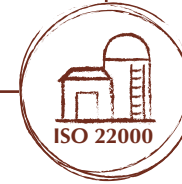
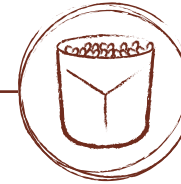
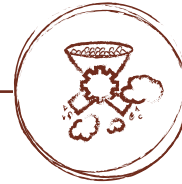
expertise, including in the selection of high-quality beans, the technological know-how in the processing of our own cocoa mass as well as the chocolate production at our own factories. This differentiates us from most other chocolate manufacturers and enables us to produce our premium quality chocolate.



³ The bean-to-bar approach does not apply to our Russell Stover brand, which purchases and processes chocolate and chocolate products, or to other cocoa ingredients like cocoa powder and cocoa butter.

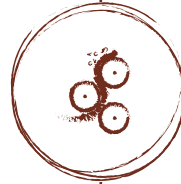
10.

The nibs are then roasted applying a process we have specially developed, with the roasting time and temperature perfectly aligned in order to achieve the desired aroma.



11.

Afterwards, the nibs are crushed and then ground in special mills until the cocoa mass has reached the desired particle size.



9.

The cocoa beans are cracked open and the shells removed. The remaining cocoa fragments, known as nibs, undergo further processing and are then steam-cleaned again.

8.

The delivered cocoa beans are stored in silos and then mixed for the recipes. They are then cleaned through infrared treatment.

7.

The beans are loaded and transported to our own cocoa mass factories in Europe and the USA, which are all certified to the ISO 22000 Food Safety Management standard. The accompanying traceability certificate gives us precise information on the origin of the cocoa beans and the volume delivered.

12.

The cocoa mass is transported to our production sites.

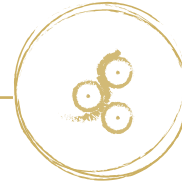


At this point, the conventional chocolate manufacturing process begins.



13.

The other ingredients, such as milk powder and cocoa butter, are added to the cocoa mass and refined into chocolate.



14.

The cocoa mass is ground again.



15.

Then comes the step “conching” – this procedure was invented by Lindt and assures smooth-melting chocolate.



16.

The chocolate mass is formed or processed further.



The Lindt & Sprüngli Farming Program: Sustainably sourced cocoa beans

100% of our cocoa beans are traceable and verified by 2020



Progress: 100% in 2020 (Commitment achieved)

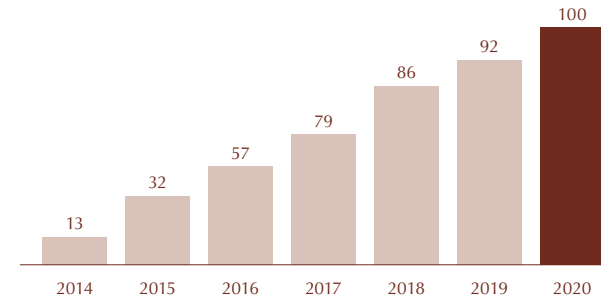
The Lindt & Sprüngli Farming Program covers 100% of our cocoa beans and builds on the “bean-to-bar” model, which enables us to trace cocoa beans back to their origin, take responsibility, and directly support cocoa farmers and farming communities according to their context-specific individual needs. The Farming Program was launched in 2008 in Ghana. We have since expanded it to all five of our cocoa bean sourcing origins: Ghana, Ecuador, the Dominican Republic, Madagascar, and Papua New Guinea, often with multiple suppliers per country. The Farming Program empowers farmers to manage their farms in accordance with sound agricultural, social, ecological, and economic practices.

Cocoa bean target achievement

Since 2008, we have been supporting cocoa bean sustainability and traceability in our supply chain through the Lindt & Sprüngli Farming Program. We are delighted that after 12 years of groundwork, we achieved a major milestone: **100% of our sourced cocoa beans** are now traceable and externally verified by an independent third party. This is a major step toward our target to source all cocoa products (beans, butter, powder, and chocolate) through sustainability programs by 2025.

Traceability and verification of all cocoa beans

% of the sourced cocoa beans that were traceable and verified



Our cocoa beans come from Ghana, Ecuador, Madagascar, Papua New Guinea, and the Dominican Republic.

2008

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

2013

Establishment of the Lindt Cocoa Foundation

2015

Launch of the Lindt & Sprüngli Farming Program in Madagascar

2017

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

2019

Launch of the No-Deforestation & Agroforestry Action Plan for Cocoa

2025

By 2025, 100% of cocoa will be sourced through sustainability programs

2012

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

2014

Launch of the Lindt & Sprüngli Farming Program in Ecuador

2016

Cocoa bean supply chain in Ghana becomes fully traceable and verified

2018

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

2020

Interim goal achieved: 100% of our cocoa beans are sourced traceable and externally verified

The goal of the Program is to create decent and resilient livelihoods for today's and future cocoa farmers and their families, and a sustainable intensification of agriculture. We aim to achieve this by facilitating higher productivity of farms, diversified household incomes, preservation of biodiversity and natural ecosystems, reduced risk of child labor, and improved infrastructure in communities (> see Theory of Change, p. 20). The Farming Program guarantees us access to the supply of high-quality cocoa beans from a pre-defined and stable base of cocoa farmers, while our stakeholders can be assured that we source and process the traceable beans from the farmers in our externally verified Lindt & Sprüngli Farming Program.

The content of the Farming Program is specified in the ► [Verification Guidance Document](#) and is based on four pillars: Traceability & Farmer Organization, Farmer Training & Knowledge Transfer, Farmer Investments & Community Development, and Verification & Continuous Improvement. The Program design follows an integrated and holistic approach, looking at all the different sustainability challenges facing farmer livelihoods. It builds on a philosophy of continuous improvement and fosters locally embedded solutions. Besides defining minimum requirements and providing general guidance, the strength of the Farming Program is its flexibility to tailor the activities to the local context and challenges in each country of origin. Finally, a verification system, in the form of a structured annual internal monitoring and independent external assessment, assures the effectiveness of our efforts. The verification is based on a mutual learning

process and transparent communication, which facilitates the continuous improvement of the Farming Program.

The basis for implementing the Farming Program are long-term and stable partnerships with our suppliers, which are the main implementing partners in the field. Long-term agreements allow purchasing from a stable farmer base, supporting them over multiple years via the Program activities. These local partners are assisted by select specialist organizations to develop their knowledge and capacity (e.g., in the topic of agroforestry). We further collaborate with several organizations to generate synergies and connect the Program in the different countries of origin to other relevant local sustainability initiatives (> see Landscape Approach, p. 46).

Through our own sustainability program for cocoa beans we ensure that our investments directly improve sustainability along our own value chain and reach farmers and their communities. It is managed similarly to a development program and is financed by a price premium for Program implementation paid by Lindt & Sprüngli to our suppliers per metric ton of cocoa beans sourced through the Program. Since 2008, Lindt & Sprüngli has invested a total of USD 47 million in the Farming Program, of which USD 10 million was invested in 2020 alone. Additionally, the ► [Lindt Cocoa Foundation](#) contributes around USD 2–3 million annually in investments for farmers and communities. In specific cases of collaborative and innovative pilot projects implemented together with development partners, the Program is co-funded by public donors.

We succeeded in achieving our 2020 cocoa bean target by increasing the amount of traceable and externally verified cocoa beans by eight percentage points compared to 2019, resulting in a total of 100% of all sourced cocoa beans. To date, 79,979 farmers and a team of 443 field staff are involved in the Farming Program globally. Accounting for future growing demand for cocoa bean volumes, we will continue to onboard new suppliers in existing countries of origin. And, if we source from new countries, we will expand the Program to those origins.

Lindt Cocoa Foundation

The Lindt Cocoa Foundation was founded in 2013 and has the declared purpose of working to achieve social and ecological sustainability in the cultivation, production and processing of cocoa and other raw materials used in chocolate production. The Lindt Cocoa Foundation supplements the already existing endeavors of the Lindt & Sprüngli Group designed to improve the living and working conditions of farmers in the countries of origin of the raw materials, and co-funds certain elements (e.g., community investments, seedlings, trainings) within the Lindt & Sprüngli Farming Program. Its projects ensure that raw material procurement is done in a way that works more effectively towards sustainable agricultural development.



The four pillars of the Farming Program

1.

Traceability and farmer organization

To create a positive impact for the farmers in our supply chain, we need to know where our cocoa beans come from. Therefore, our Program starts with:



Registering farmers and organizing them in groups for Program implementation



Gathering baseline data about farms (incl. GPS coordinates), farmers, and communities to assess their needs and design the Program



Establishing a sound traceability system of cocoa beans from the cocoa farmers all the way to our factory doors

2.

Training and knowledge transfer

Through theoretical and practical training and coaching, farmers are enabled to professionalize:



Agricultural practices, including planting, maintenance, harvesting, fermentation, and drying of cocoa beans



Environmental practices, such as protection of biodiversity and the environment



Social practices and sensitization to topics such as health, safety, labor standards, and child labor



Business practices, including bookkeeping, farm management, and income diversification

3.

Farmer investments and community development

In order to enable farmers to diversify and increase their income, improve their resilience, and to support communities in their development, the Program provides:



Productive and disease-resistant cocoa seedlings, as well as multi-purpose shade trees



In-kind premiums (e.g., farming tools and inputs) or cash premiums



Access to financial knowledge and services



Support for generating additional income through capacity building and starting capital



Access to drinking water through construction of water systems and boreholes



Child Labor Monitoring and Remediation (CLMR), including primary school refurbishment

4.

Verification and continuous progress

For the purpose of assuring the effectiveness and credibility of the Program, a structured internal and external evaluation takes place:



Internal monitoring by field staff based on yearly visits to all farmers in the Program to evaluate the progress of farmers' agricultural, social, ecological, and economic practices



Annual external assessment by ► [Earthworm Foundation](#) (see ► [methodology](#)), including visits to each country of origin (a ► [consolidated report](#) with the assessment results is published on the Earthworm website)



Identification, discussion, and implementation of corrective actions based on data gathered and the external assessment results for continuous improvement of the Program



Lindt & Sprüngli Farming Program in numbers

(Indicators by end of September 2020 – end of 2019/20 cocoa season)



100%

of sourced cocoa beans are traceable and externally verified in 2020



443

field staff financed by the Farming Program support and advise the farmers



47 million USD

invested since start of the Program, whereof USD 10 million in 2020 alone



79,979

farmers participating in the Farming Program across all countries of origin

Higher productivity on farms



158

model cocoa farms

5,990,841

cocoa seedlings distributed since start of the Program (with 325,095 cocoa seedlings distributed in 2019/20 cocoa season)

Diversified long-term incomes and increased resilience of farming households

10,961

farmers with additional income-generating activities since start of the Program

21,883

farmers trained in additional income-generating activities since start of the Program

3,014

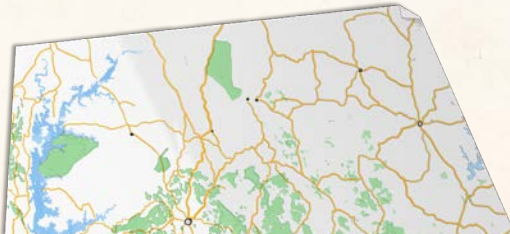
community members participating in a total of 137 Village Savings and Loan Associations (VSLAs) or equivalent



Conservation of biodiversity and natural ecosystems

67,462

farmers with all farms GPS located



1,940,122

shade tree seedlings distributed since start of the Program (666,048 distributed in 2019/20 cocoa season)

4

shade tree species per hectare on average

15

permanent shade trees per hectare on average

41,952

(52%) farmers with at least 5 permanent shade tree species per hectare

10,870

(14%) farmers with at least 25 permanent shade trees per hectare



Reduction of the risk of child labor

33

schools refurbished benefitting 4,862 children

96

child labor cases identified within CLMRS, whereof 42 related to Program farmers

97%

of identified child labor cases remediated

3

cases still in process of remediation



Improved community infrastructure

~130,000

community members benefit from

213

functioning water systems and boreholes



Theory of Change of the Lindt & Sprüngli Farming Program

Our Theory of Change provides a simple description of the Program pillars and the transformation that the Lindt & Sprüngli Farming Program ultimately wants to achieve. It demonstrates which direct results as well as which outcomes and long-term effects the Program should obtain with its inputs and activities (the four Program pillars).

For an overview of our contribution to the Sustainable Development Goals (SDGs) with the Lindt & Sprüngli Farming Program, see p. 71.

Theory of Change framework

Input and activities The four Program pillars	Output Direct results	Outcome Benefits thanks to the Program	Impact The long-term benefits of the Program
<ol style="list-style-type: none"> 1. Traceability and farmer organization 2. Training and knowledge transfer 3. Farmer investments and community development 4. Verification and continuous improvement 	<ul style="list-style-type: none"> — The farmers are registered and organized in groups — The farmers are trained in good agricultural, environmental, social, and business practices — The farmers have access to agricultural services, inputs, and equipment — Rejuvenated and diversified cocoa farms and additional income sources — The farmers have access to financial products — Child Labor Monitoring and Remediation Systems (CLMRS) are in place — Investments in community infrastructure (based on needs assessment) — Farmers are monitored 	<ul style="list-style-type: none"> — Higher productivity on farms — Diversified long-term incomes and increased resilience of farming households — Conservation of biodiversity and natural ecosystems — Reduction of the risk of child labor — Improved community infrastructure (e.g., clean drinking water) 	<ul style="list-style-type: none"> — Decent and resilient livelihoods for today's and future cocoa farmers and their families, and a sustainable agricultural intensification while securing the supply of high-quality cocoa beans from a stable base of farmers



Update on the implementation of the Action Plan Against Child Labor

By 2020: 100% of cocoa farmers for cocoa beans in child labor risk countries are covered by a Child Labor Monitoring and Remediation System (CLMRS)

100%

Progress: 100% in 2020 (Commitment achieved)

By 2025: 100% of cocoa farmers for all cocoa products in child labor risk countries are covered by a Child Labor Monitoring and Remediation System (CLMRS)

Child labor in cocoa farming is a widespread and complex human rights issue that is deeply rooted in poverty and sociocultural behaviors. Children's vulnerability puts them under increased risk of exploitation for labor. The term "child labor" is defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development and interferes with their schooling. Solving this systemic issue is difficult, takes time, requires resources, and involves joint industry efforts.

All the Lindt & Sprüngli Farming Program farms were covered by our Child Labor Monitoring & Remediation System (CLMRS), which includes training and awareness-raising for farmers as well as monitoring and elimination of child labor. In the 2019/20 season, 96 cases of child labor were identified through unannounced child labor monitoring visits. Out of these, 42 were child labor cases related to Program farmers and 54 child labor cases related to non-Program farmers but coincidentally identified by the field staff during their field tours. We were able to successfully resolve 97% of all cases identified through sensitization and building awareness with the children's parents. Remediation of

three of these cases, involving two non-Program farmers and one Program farmer, is ongoing.

Update on the improvement of the existing Lindt & Sprüngli CLMRS

We have always considered tackling child labor as a priority and are firmly committed to avoiding and remediating it in our cocoa supply chain. Despite collective industry and government efforts, a 2020 cocoa report⁴ from National Opinion Research Center (NORC) at the University of Chicago clearly states that there are still many children engaged in work on cocoa farms. We take this new piece of research very seriously.

In 2020, we started revising our strategy for the protection of children's rights — an integral part of our Lindt & Sprüngli Farming Program. The strategy supports our cocoa suppliers and implementing partners in countries of origin with a risk of child labor to comply with our [Supplier Code of Conduct](#) and effectively protect children's rights along our supply chain. The adapted strategy provides a more effective remediation framework based on a Community Child Protection System (CCPS) to protect children's rights in the communities where Lindt & Sprüngli operates. It is a community-based approach that focuses on close collaboration with community members and public institutions, provides holistic preventive measures and covers the main salient children's rights to secure an environment conducive to their protection. The system is implemented through monitoring, awareness and resilience-building for farmers, workers, their households and community members. Through this system, we are not reinventing the wheel, but rather reorienting our approach and reorganizing our interventions to more effectively address the protection of children's rights in our supply communities.



⁴ [Assessing Progress](#) in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d'Ivoire and Ghana.

Supporting farmers during the Covid-19 pandemic

Ensuring the health, safety, and well-being of our cocoa farmers, their families and communities has been of paramount importance to us. Throughout these challenging times, we are dedicated to improving their livelihoods, while securing a sustainable supply of our high-quality cocoa beans.

Our cocoa communities have been significantly impacted by the global Covid-19 pandemic, with Ecuador and the Dominican Republic being most affected. Challenges encountered ranged from school closures, lack of access to critical equipment or food, a lack of information about Covid-19, transport and travel restrictions as well as increases in living costs. We worked closely with our supply chain partners, NGOs and the cocoa industry to provide support across all our cocoa countries of origin, focusing on activities in three areas:

1) Income continuity

Our top priority was to enable cocoa farmers to sell their cocoa under the applicable national or local health and safety regulations, thereby avoiding income losses. Critical to this was maintaining our Program activities, which sometimes had to be adapted or delayed. Further measures included supporting farmers with logistics (e.g., collecting cocoa with trucks) or opening closer warehouses.

2) Information sharing/awareness-raising

We reached out to the Program farmers to inform them about Covid-19 and its implications through existing Program channels as well as posters and flyers. Response action plans developed by Program implementation partners included sensitizing measures on Covid-19 symptoms, modes of transmission, prevention, and other crucial aspects.

3) Resource distribution and community support

We funded activities that were implemented by our suppliers, which aimed at supporting cocoa-growing communities with urgently required materials. As part of this, we distributed hand sanitizer or soap, face masks, thermometers, portable hand washing stations, household wash kits or food aid packages. Additionally, the already established boreholes and water systems in Ghana, Papua New Guinea and Madagascar, which supply approximately 130,000 community members, were key to supporting personal health and hygiene.

In the spirit of solidarity, we ensured creative measures were implemented in some countries of origin to support farmers and their families and contribute to food security in these difficult times. In Ecuador, for example, a virtual circle of farmer families was created, where farmers and their families were able to exchange a large variety of fruit and vegetable products from their farms. A total of 700 people benefitted from this action, with priority given to vulnerable groups, like the elderly, single mothers or people with major needs.

In Madagascar, our efforts focused on establishing minimum conditions for crisis management and supporting local actors. To this aim, we contributed around CHF 27,000 to Helvetas in Madagascar for:

- 1) Equipping health centers with the resources needed to handle infected people
- 2) Raising awareness about protective measures
- 3) Establishing conditions to reduce the risk of contagion in public places

Beyond activities directly related to our Program, we supported relief efforts by funding protection activities for cocoa-growing communities and Covid-19 awareness-raising. Lindt & Sprüngli contributed USD 25,000 to the ► *industry-wide collective effort in response to Covid-19*, coordinated by the ► *World Cocoa Foundation (WCF)*.

At the same time, Covid-19 challenged our Program implementation. Certain activities such as GPS mapping or internal monitoring were delayed (e.g., due to restrictions in movements for field staff or farmers). In other cases, we were forced to change or adapt certain Program activities, like shifting from group trainings to individual farmer coaching or providing remote support for farmers through digital means or hotlines. Despite these difficulties, we have not encountered major disruptions in our cocoa supply chains.

We thank all our local Program implementation partners for their extraordinary efforts in these dynamic and uncertain times.



Ghana



Madagascar



Papua New Guinea

Cocoa bean countries of origin

For each country we source cocoa beans from, targeted and individual solutions are needed to address the range of challenges encountered by cocoa farmers, their families and communities. The strength of the Lindt & Sprüngli Farming Program lies precisely in this flexibility to tailor measures to the local context of cocoa bean production and to improve them continuously. On the following pages, we summarize our key achievements and challenges during the 2019/20 cocoa season for each country of origin.





Farming Program in Ghana

Ghana is the world's second-largest cocoa producer, producing around 800,000 tons of Forastero cocoa annually – almost 20% of the world's harvest. Cocoa from Ghana is known for its high quality, due to its higher fat content and low breakage rate. Most of the cocoa is produced by small farmers cultivating areas of just two to three hectares. It is estimated that cocoa cultivation provides a livelihood for around 1,000,000 Ghanaian households.

Ghana is our largest cocoa bean origin, and the Lindt & Sprüngli Farming Program has been active in Ghana since 2008. In the 2019/20 season, we reinforced the Program's activities by taking into account our ►[reflection](#) on the findings and recommendations of the independent expert's Royal Tropical Institute (KIT) ►[impact assessment](#) of the Farming Program. Today, our Program reaches 64,406 farmers, who are supported by 378 field staff. All farm boundaries of 82% of the Program farmers are GPS mapped.

We continued training and knowledge transfers to improve farmers' cultivation techniques, raise their awareness regarding respect for human rights, and promote their adaptation to climate change. While 99.7% of farmers started with the basic training curricula on good agricultural, environmental and social practices, 39% have already attended all these modules and graduated. During the 2019/20 season, we introduced additional modules such as financial

literacy, climate-smart cocoa, and no-deforestation and agroforestry, particularly for farmers who had already graduated. Often these farmer trainings take place on one of the demonstration plots to show effects of the good agricultural and environmental practices. Additionally, 21% of farmers benefitted from coaching visits this season.

Another focus area was income diversification activities for farmers. We supported 19,543 farmers with alternative income-generating activities, 10,755 of whom diversified their incomes as a result. This season, we created a “capital fund”, which directly provides start-up capital for income diversification activities and supports the implementation of further packages of measures to improve the livelihoods of farmers. So far, twenty farmers are registered to benefit from the revolving fund, which will be launched for use in the 2020/21 season. In addition, we accelerated the establishment of “Village Savings and Loan Associations” (VSLAs), with 50 new VSLAs set up within the season, pushing the total to 137. As every season, farmers also benefited from cash and in-kind premiums based on their cocoa volumes delivered.

Moreover, the nutrition project initiated in partnership with IDH, The Sustainable Trade Initiative, enabled the training and support of 1,462 farmers, of whom 1,266 are women, in the areas of improved nutrition, best hygiene



practices, vegetable production, and animal rearing. The purpose of this project is to promote production and consumption of proteins and vegetables with an overall goal of improving dietary diversity in cocoa-farming households. As the co-funding from IDH has ended and the pilot was a success, from now on, this project will be fully integrated into the core activities of the Farming Program and will be extended to additional communities and farmer households. Finally, Lindt & Sprüngli is supporting the Ghanaian government's initiative to improve the livelihoods of farmers via a Living Income Differential (LID). From the 2020/21 harvest season onward, on top of the market price and Farming Program premium for every ton of cocoa beans, an additional price premium (differential) of USD 400 is paid.

As part of our commitment to no-deforestation and agroforestry, we distributed 599,976 shade trees this season, totaling 1,833,301 shade trees distributed in the last three years. As a result, we are on track with our Action Plan for Ghana. Our target is to have planted a total of 2,000,000 shade trees by the end of 2021. We also joined the Kakum landscape project for forest preservation with ► [Nature Conservation Research Centre \(NCRC\)](#) and other

actors (> see Landscape Approach, p. 46). Finally, we commissioned the ► [World Agroforestry \(ICRAF\)](#) to provide technical assistance to the field team in order to implement an effective agroforestry model in Ghana.

Improvement of community infrastructure and access to education are integral parts of our Program. Last year, our efforts to improve community infrastructure were focused on the maintenance and repair of the 211 boreholes built so far. Following our maintenance activities, 206 boreholes are functioning to ensure access to water for more than 123,600 community members in our operating areas. This was of particular importance in times of Covid-19, in which water has proven to be a critical resource for preventing spreading the disease.

Child labor remains a relevant issue that we monitor in communities and on farms through our Child Labor Monitoring and Remediation System, to identify risks and proven cases (> see p. 21).







Farming Program in Ecuador

Ecuador is the world's largest producer of fine-flavor cocoa, responsible for two-thirds of global production with around 328,000 tons of cocoa. The cocoa is mainly produced on small family farms. Many of the fine-flavor plantations are overaged and face water stress if not irrigated, resulting in low productivity. Consequently, Ecuadorian cocoa farmers increasingly plant hybrid varieties in full sun, rather than fine-flavor cocoa varieties. This is a challenge for Lindt & Sprüngli, as we wish to continue sourcing exclusively fine-flavor cocoa varieties from Ecuador.

Ecuador has been part of the Farming Program since 2014 and is Lindt & Sprüngli's most important fine-flavor cocoa source. A particular goal of the Program's activities in Ecuador is to preserve the diversity of fine-flavor cocoa by promoting rehabilitation and rejuvenation of cocoa farms with productive and disease-resistant fine-flavor cocoa tree varieties. Our holistic approach includes trainings in good agricultural, social, environmental and business practices and the distribution of tools and farming equipment. Recently, we incorporated new elements into the Program to enable closer and more individualized support for farmers, while promoting practices which better protect the environment both on and off the farms. This includes tailored and specialized diversification, and financial workshops in organic farming practices, grafting and pruning, income diversification or financial

workshops. In addition, we are introducing pilot schemes for dynamic agroforestry systems with selected farmers and raising farmers' awareness of the need to preserve high conservation value (HCV) areas in and around their farms. The Program in Ecuador is implemented by two suppliers, operating independently of one another in different regions.

During the 2019/20 season, 8,473 cocoa farmers were organized in groups and participated in the Farming Program, which was implemented by 29 field trainers. As the Farming Program in Ecuador is already well established, no new farmers were added. Most of the farmers are not members of a cooperative, but we engage in strengthening the few smaller cooperatives that supply beans to us.

The 2019/20 season was challenging in Ecuador, as the country was hit particularly hard by Covid-19 restrictions, leading to travel bans that lasted for months. Our implementation partners used their time productively by conducting intensive capacity building for the field staff (> see Supporting farmers during the Covid-19 pandemic, p. 22). In parallel, training on good agricultural, environmental, and social practices offered by the Program continued digitally, and coaching temporarily replaced group trainings. In order to motivate farmers to continue planting fine-flavor cocoa, we distributed another 152,476 high-yielding and disease resistant seedlings from ► [INIAP](#) and community nurseries.



Diversity of cocoa varieties

Consumer cocoa (generally of the Forastero variety) accounts for the largest share (90–95%) of total cocoa production and is farmed mainly in West Africa. Around 5–10% of worldwide cocoa harvests is fine-flavor cocoa (mostly of the Criollo and Trinitario varieties), which is associated with nuanced, aromatic flavors. It is mainly farmed in Latin America and the Caribbean.

Around one-third of all the cocoa beans processed by Lindt & Sprüngli are fine-flavor cocoa beans. For Lindt & Sprüngli it is vital to have a broad diversity of cocoa beans and to ensure that the aromatic fine-flavor beans are readily available. We therefore support efforts to preserve the diversity of cocoa varieties, for example through partnerships with the ► [Tropical Agricultural Research and Higher Education Center \(CATIE\)](#), which oversees the ► [Cacao Genetic Improvement Program](#). During the 2019/20 season, a new project was launched to test the performance of different fine-flavor varieties in agroforestry systems. This becomes particularly important as agroforestry is promoted as a sustainable production method to cocoa farmers. The project aims to establish a multi-year trial with five varieties and three agroforestry systems.

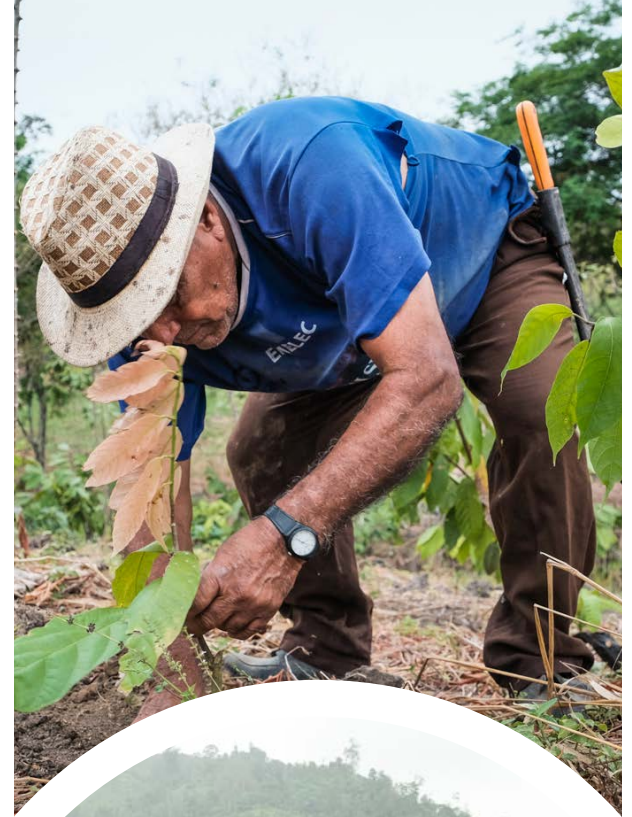
Supporting the farmers during the entire grafting process was not possible due to the pandemic. As a result, some trees were not properly maintained, and the pruning process will have to start again. To make up for the lost plants, more seedlings than planned were purchased. Along with cocoa seedlings, over 48,362 multi-purpose shade trees were distributed. All farmers received an in-kind premium in the form of tools and inputs, as a means to further support farmers in implementing what they learn in the training courses. These included fertilizers, products for pest and disease control, mechanized pruning and weeding equipment or fermentation equipment and dryers for improved post-harvesting.

► **ECOTOP**, an organization specialized in dynamic agroforestry methods, supports the implementation partners by helping them to design and establish dynamic agroforestry demonstration plots. These are tailored to the local conditions in Ecuador and to different types of farms. In dynamic agroforestry, the farm functions as a system so that external inputs become redundant. During 2020, the first five plots were established, properly managed and maintained throughout the year with remote support from ECOTOP. The plots raised the interest of farmers when the first food crops were harvested. The project has shown that farmers must be accompanied very closely during the starting phase, which is highly resource-intensive. Additionally, farmers are interested in finding out which crops fit into the agroforestry model and can also be sold on the local market. Therefore, the aspect of marketing the multiple crops produced on dynamic agroforestry farms needs further attention in the near future.

The Farming Program in Ecuador is linked to research projects which provide interesting learning opportunities for us and our implementation partners. Together with the ► **Research Institute of Organic Agriculture (FiBL)**, 200 of the Program farmers are part of a study that aims to measure the effect of our Program. In 2021, another round of data collection will be done. We also collaborate with the ► **Institute of Food and Beverage Innovation (ILGI)** of the Zurich University of Applied Sciences (ZHAW) to study the effect of post-harvesting methods on the quality of the cocoa beans. This allows us to develop recommendations as to which good post-harvest practices, such as fermentation, are feasible and should be applied by Program farmers. The second phase of this research project analyzing drying practices and their effect on cocoa bean quality was launched in 2020 and will be implemented in 2021.

During the next season, the Farming Program in Ecuador will scale coaching and the provision of farm management plans, rehabilitation activities through grafting, and the development of agroforestry systems. For the first time, farm management plans will be provided to farmers according to a carefully defined methodology and follow-up visits. Special attention will be given to farmers in or close to ecologically sensitive areas. For these farmers, a methodology on holistic farm management will be adapted to the context of our Program farmers with support from Earthworm Foundation. The organization will train the field staff on how to use this tool, providing farmers with a holistic perspective on how to develop their farm in accordance with conservation principles. Additionally, grafting workshops will be implemented to support farmers in rehabilitating their farms using existing plant material. Finally, at least ten additional demonstration plots for dynamic agroforestry will be established by volunteer farmers, who are closely accompanied by the field staff.







Farming Program in Madagascar

Madagascar is a fine-flavor cocoa country of origin whose cocoa is distinguished by a particularly wide variety of flavors and considered to be of very high quality. Around 33,000 cocoa farmers currently produce approximately 14,000 tons of cocoa a year, which equates to around only 0.5% of the global harvest. Cultivation is concentrated in the north-west of the country. The country's low level of development, high poverty, and weak basic rural infrastructure combined with overaged and small farms are the main challenges of this country of origin.

The Program in Madagascar was launched in 2015. In the 2019/20 cocoa season, 2,223 farmers were participating in the Program, supported and trained by 14 field staff. The Program farmers, with an average age of 47, often have an area of less than one hectare under cocoa cultivation with the majority of trees over 20 years old. Farmers generally do not use any chemicals for cocoa production, and training courses transfer knowledge on methods to increase agricultural production or to control pests and diseases organically. Last year's internal monitoring exercise revealed that less than half of the cocoa farmers apply these organic best practices. We therefore established eight model farms on different plots to show farmers the effects of good agricultural practices, such as tree maintenance, organic fertilization, organic pest and disease management or a combination of

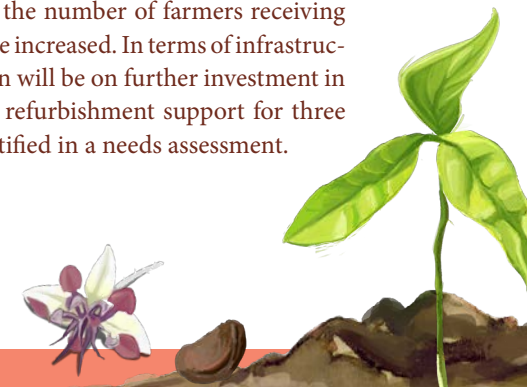
the latter, compared to no treatment. Inputs (e.g., labor hours, costs for cow dung, or costs of organic pest and disease management) and outputs are measured, enabling producers to decide how to best treat their farms. Additionally, an extensive agroforestry module was developed and rolled out, which serves as an advanced course in addition to the existing environmental training module. Throughout the 2019/20 cocoa season, the Program subsidized the sale and distribution of 1,450 shade trees and 12,061 cocoa seedlings. As every year, the farmers benefitted from an in-kind premium.

Another priority topic in Madagascar is access to clean drinking water. Around 4,500 villagers use the three solar-powered water systems which were set up in cooperation with ► [Helvetas Swiss Intercooperation](#) and financed by the ► [Lindt Cocoa Foundation](#).

Using a multi-stakeholder approach and co-founded by the ► [State Secretariat for Economic Affairs \(SECO\)](#) within the framework of the ► [Swiss Platform for Sustainable Cocoa](#), we launched a project with the goal of building a climate-resilient cocoa landscape in Madagascar, which contributes to resilient livelihoods for the local population. The project, coordinated by the NGO Helvetas Swiss Intercooperation, supports the development and implementation of an adequate planning instrument that considers the competing

interests in this multifunctional landscape. During the initial months of the project, we started with a landscape assessment to identify the High Carbon Stock and High Conservation Value (HCS and HCV) areas, which are priority risk zones for deforestation. A stakeholder analysis and multi-stakeholder meetings have been conducted to form a locally embedded governance system.

In the 2020/21 cocoa season, the number of farmers in our Madagascar Program will remain stable, but the Program's activities will continue to expand. Based on an analysis of the most suitable supply chains for income diversification, trainings in the cultivation of ginger and vanilla, small livestock rearing, and honey production will be offered. As a complementary measure, training in general financial knowledge will be intensified, especially with regards to the functioning, advantages and disadvantages of Village Savings and Loan Associations (VSLA), and communities will be supported in establishing new VSLA groups. Alongside ten group training modules, which are designed to be attended by most farmers, the number of farmers receiving individual coaching will be increased. In terms of infrastructure, the focus next season will be on further investment in water infrastructure and refurbishment support for three schools, which were identified in a needs assessment.







Farming Program in Papua New Guinea

Papua New Guinea is one of the world's newest producers of fine-flavor cocoa. Over 85% of the population live in rural areas and are largely dependent on small-scale agriculture. Besides coffee, cocoa is the country's most important crop and the source of income for more than half a million households, which produce approximately 35,000 tons of cocoa a year.

Papua New Guinea joined the Farming Program in 2017. The Program grew from 2,670 to 4,138 farmers in the 2019/20 cocoa season and is being implemented by 18 field staff. Around 80% of farmers have already completed all six training modules offered, with topics ranging from good agricultural practices to conservation of natural resources and social issues like gender equality and HIV/AIDS. 44 model farms demonstrate the agronomic practices taught to the farmers to help them implement the methods they have learned, and the farmers are provided with agricultural equipment. Internal monitoring revealed access to financing as a relevant issue for farmers. Consequently, our implementation partner launched financial literacy trainings, which reached 410 farmers, including 90 women, and partnered with a bank to enable farmers to open savings accounts.

Since the start of the Program, 196,000 cocoa seedlings have been distributed, with nearly 90,000 in the last season.

The new seedlings help farmers increase productivity by reaching the recommended tree density or replanting over-aged farms while ensuring that no cocoa cultivation expansion into forests takes place. More than 15,000 shade trees were distributed to incentivize farmers to foster agroforestry systems. Further, all Program farmers received an in-kind premium in the form of farming tools to support implementation of the learned agricultural practices.

The needs assessments in farming communities have shown that, as far as infrastructure is concerned, investment is most urgently required in water supply and education. Our Program has therefore invested in drinking water systems and rainwater harvest systems, which provide an estimated 2,800 village inhabitants with clean drinking water, and has already renovated three schools, benefitting around 830 children.

After scaling the Program over the last two years, next season we will work towards stabilizing the number of farmers and focusing on ensuring participation of all farmers in the basic training modules. At the same time, we will expand the financial literacy training and individual coaching and continue with other key activities like development of model farms, seedling and shade tree distribution, and community investments.





Farming Program in the Dominican Republic

Cocoa cultivation, together with coffee, is the major source of income of around 40,000 smallholder farmers in the Dominican Republic, who produce approximately 75,000 tons of cocoa a year. Cocoa production in this country of origin is characterized by high-quality fine-flavor cocoa beans, most of which are grown organically in agroforestry systems. The biggest challenge is low productivity on small to medium cultivation areas of up to five hectares.

The Dominican Republic is the newest member of the Farming Program, joining in 2018. The aim of the Program is to professionalize farming practices to increase yields and incomes. A comprehensive training program complemented by specialized workshops (e.g., on financial management), the distribution of cocoa seedlings, and the promotion of rejuvenation and rehabilitation work on farms are the focus in this origin.

The number of farmers in the Program increased by 30% in the last season, now totaling 739 members. A digital system for GPS mapping was introduced to improve data quality and accuracy of documentation. A total of 352 farmers completed farmer training in all eight basic training modules. In order to rehabilitate and renovate the farms, the established five community seedling nurseries produced a total of 71,627 seedlings during the reporting period. A total of 161 farmers started the process of renovation and rehabilitation.

Since the start of the Program, 61% of farmers have participated in these activities. A high seedling survival rate of 88% was observed in the field. Regarding rehabilitation, we learned that farmers perceive rehabilitation as highly labor intensive and prefer to do renovation. The successful implementation of the renovation and rehabilitation activities can be explained by incentives and the farm work organized and performed in working groups. Farmers who successfully apply their learnings receive a premium to compensate for their efforts, while their work on the farm is accompanied by groups of farmers working together guided by an agronomist. In parallel with these activities, we laid the basis for an agroforestry capacity building project, with the aim to support the field staff and farmers with the implementation of professional, locally adapted agroforestry models. In 2019/20, new collaborations were initiated to strengthen the Program. A cooperation with CoopDuarte, a rural saving cooperative, was established. In this first year, 268 farmers received their own savings account, allowing them to receive digital payments of their cash premium and access loans at preferred conditions. Furthermore, a partnership with Fundación Loma Quita Espuela was developed to support reforestation activities. The foundation will produce shade tree seedlings to be distributed to the farmers and reforest an area of two hectares of forest close to a reserve.

After another successful year of scaling the Program, we will again onboard new farmers in the coming season and focus on training them, improving the Program management through better processes and feedback from farmers, and starting an agroforestry project.



Outlook

Achieving our target of sourcing 100% traceable and verified cocoa beans was an important milestone for us. In the last 12 years, the Farming Program has been implemented successfully and is appreciated by suppliers and farmers alike. Looking ahead, we will keep developing our activities, as many sustainability issues are complex and yet to be resolved. Over the coming years, our approach will increasingly focus on environmentally friendly agricultural practices, in particular on agroforestry and no-deforestation practices. We also plan to implement more innovative and targeted training approaches in many of our countries of origin. Collaboration with different key players in the industry through multi-stakeholder platforms or landscape projects will foster more sector-wide solutions. Alongside our Farming Program for cocoa beans, we plan to source other cocoa products (cocoa butter, powder, and chocolate for Russell Stover) through sustainability programs by 2025 (> see p. 38).





Human rights in the supply chain

80% of our procurement expenditure for raw and packaging materials bearing significant sustainability risks is covered by a sustainable sourcing program by 2025



Progress: On track

Relevance & context

Human rights are universal and inherent to all human beings. Nevertheless, human rights violations are still widespread. This includes various human rights issues such as discrimination, land rights, child labor, forced labor or the right to health. The impacts range from minor limitations on individual rights to the total abandonment of self-determination or loss of life. In globally interconnected value chains, companies are directly or indirectly linked to human rights risks and called upon to respect human rights.

Recent political developments put further pressure on the respect for human rights. Non-governmental organizations in particular have always been strong advocates of human rights and also raise awareness among stakeholders. In recent years, legislative requirements for businesses have increased, and human rights considerations have largely been a part of the agenda of financial stakeholders. In line with the interests of these stakeholders, focus must be on the affected rightsholders at risk of human rights violations.

Management approach

Lindt & Sprüngli recognizes its responsibility to respect human rights and international labor standards as defined in the UN Guiding Principles for Business and Human Rights. A significant part of our potential human rights impacts is related to our supply chain and mainly managed through the focus areas “Human rights in the supply chain” in general and “Rural development” specifically for cocoa. Further activities to support and respect human rights regarding our own operations and consumer-related issues are addressed in our focus areas such as “Occupational health and safety”, “Business integrity”, “Transparent and responsible communication” and “Product quality/Product safety”.

The Lindt & Sprüngli Sustainability Team is responsible for managing human rights risks associated with our sourced raw and packaging materials to identify the most salient issues. Based on this, we define specific approaches and programs to further assess, prevent, and mitigate potential and actual human rights impacts. We implement these together with our Group and Local Procurement Teams and include further departments where required. We are committed to using our leverage in the value chain to encourage our suppliers and business partners to follow our example.

Our tailored approaches for high-risk materials are outlined in the Sustainable sourcing section (> see p. 36). Our sustainability program for cocoa beans, the Lindt & Sprüngli Farming Program, covers human rights issues for cocoa bean sourcing and is managed under the “Rural development” focus area. In addition, we have developed specific programs addressing human rights issues for hazelnuts from Turkey (> see Hazelnuts, p. 39) and for packaging materials

from Asia (> see Packaging, p. 41). For raw materials where we have less leverage, we cooperate with recognized standards and initiatives (> see Palm oil, soy lecithin and eggs, p. 40).

Human rights and environmental due diligence








Due diligence is a proactive and ongoing means for companies to systematically identify, prevent, mitigate and account for harm to people and the environment – through business structures, policies, processes and, most importantly, the day-to-day ethical behavior and decision-making of business leaders and employees. Lindt & Sprüngli places a high value on respecting human rights and providing environmental integrity in our own operations, throughout our upstream supply chains and downstream value chains, and in other relevant business activities. In 2020, we initiated Human Rights and Environmental Due Diligence through an extensive risk identification process, considering the Guiding Principles on Business and Human Rights and the [► OECD Due Diligence Guidance](#). This allowed us to identify our most salient issues, detect gaps in our management approach and develop a roadmap to further improve due diligence throughout our business and value chains.

We will finalize and start implementing our roadmap in the upcoming years to ensure relevant policies and processes are in place. Furthermore, we will more thoroughly investigate our key issues to better understand potential risks and establish measures required to address these. Throughout our approach, we strive to include and consider the perspectives of our relevant stakeholders and the rightsholders potentially affected by our activities.

Sustainable sourcing

Relevance & context

Significant social and environmental impacts related to the production of chocolate affect the supply chain and thereby, the cultivation, processing, and transport of raw and packaging materials. Sourcing these raw and packaging materials sustainably is of particular importance to us, which is why they are covered under the requirements of the ► [Lindt & Sprüngli Supplier Code of Conduct](#). Additionally, we use rating frameworks such as EcoVadis to assess a subset of our supplier base and their sustainability performance, as well as to help suppliers improve their performance. We identify and prioritize raw and packaging materials with significant sustainability risks through our risk assessment and due diligence approach and develop specific action plans. We set clear and ambitious targets, which rely on verified sustainable supply chains and select traceable materials. We verify adherence to defined sustainability requirements either through our own programs, supplier-led programs or third-party standards.

Material	Progress in 2020	Goal	Definition of sustainably sourced
Cocoa	 63%	100% by 2025	Cocoa (beans, butter, powder, and chocolate) sourced through sustainability programs ⁵
Cocoa beans	 100%	100% by 2020	Cocoa beans sourced traceable and externally verified
Hazelnuts	 100%	100% by 2020	Turkish raw (unprocessed) hazelnuts sourced through sustainability programs
Palm oil	 100%	100% by 2015	Palm oil/palm kernel oil sourced RSPO certified
Soy lecithin	 100%	100% by 2018	Soy lecithin sourced ProTerra certified ⁶
Eggs	 100%	100% by 2020	Eggs sourced cage-free (or at a higher standard) ⁶
Packaging	 93%	90% by 2020	Procurement expenditure for packaging material from Asian factories covered by a sustainability program

⁵ICCO conversion rates

⁶Excluding Russell Stover

Supply chain traceability

Traceability is a key factor for ensuring the transparent and sustainable procurement of our raw and packaging materials. We source our materials through a set of approaches with different levels of supply chain traceability:

- **Identity preserved:** Unique identification of the material and traceability back to its origin, e.g., a specific farm or mill.
- **Segregation:** Separation of materials with sustainability characteristics from conventional materials throughout the supply chain.
- **Mass balance:** Materials with and without sustainability characteristics are separated in bookkeeping but can be physically mixed throughout the supply chain.

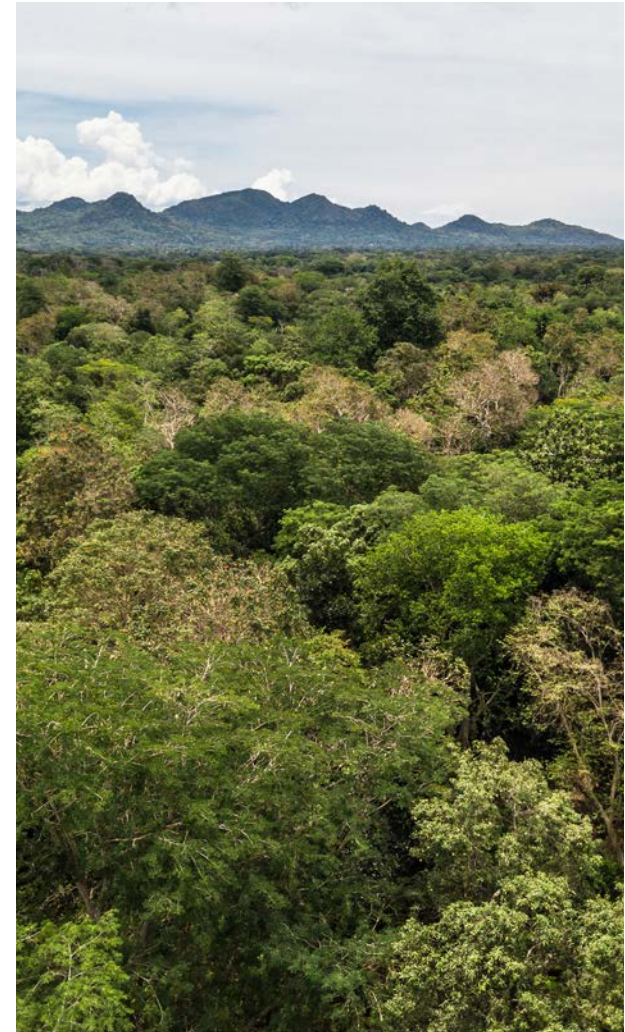
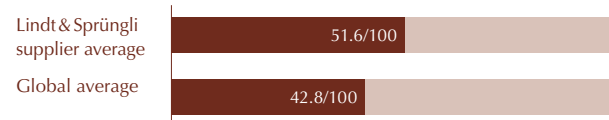
EcoVadis supplier assessment

We have started to assess the sustainability performance of the raw and packaging material suppliers of our 12 major subsidiaries using the EcoVadis framework. We integrate our suppliers' EcoVadis scores into our supplier management activities and strive to support them in improving their sustainability performance through engagement and discussion. The EcoVadis assessment is based on 21 criteria and covers four topics: environment, labor and human rights, ethics, and sustainable procurement.

As of today, the majority (by volume and expenditure) of our raw and packaging materials is covered by an EcoVadis assessment, as we onboarded over 300 suppliers into the EcoVadis system. The assessed suppliers received an average score of 51.6 out of 100, surpassing the global average EcoVadis score of 42.8 across all participating companies.

Looking forward, we will strive to raise awareness of the EcoVadis assessment among our suppliers and increase the scope to ultimately include all our major raw and packaging material suppliers and selected indirect material and service suppliers. Having just initiated the process in 2020, we will also work on better understanding the tool and defining a structured process on how to use it when engaging with our suppliers.

Average EcoVadis sustainability assessment scores





Cocoa beans & cocoa

100% of our cocoa beans are sourced traceable and verified by 2020

100%

Progress: 100% in 2020 (Commitment achieved)

100% of cocoa (beans, butter, powder, and chocolate) is sourced through sustainability programs by 2025

63%

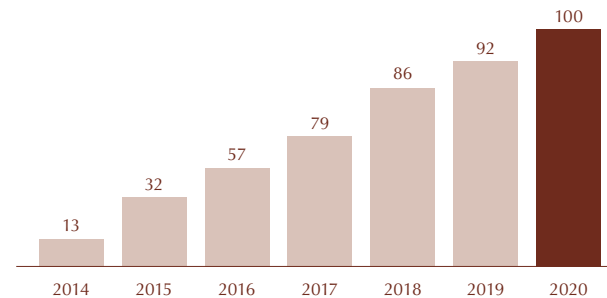
Progress: 63% in 2020 (On track)

The tropical cocoa tree and its fruit, the cocoa pods, are the basis of our valuable high-quality chocolate creations. The edible seeds of the pods are the cocoa beans, which we procure either as beans to produce our own cocoa mass or in the form of other cocoa products like cocoa powder, butter and, for Russell Stover, finished chocolate. Sustainability issues encountered in the cocoa value chain include human rights topics, the challenge for cocoa farming households to create a living income as well as general environmental protection issues, amongst others. Combating these is essential and we are committed to do so through sustainability programs. We are committed to source all our cocoa products (beans, butter, powder and chocolate) through sustainability programs by 2025. 100% of sourced cocoa beans are traceable and externally verified, which is described in detail in the “Rural development” focus area (> see p. 12). Cocoa butter

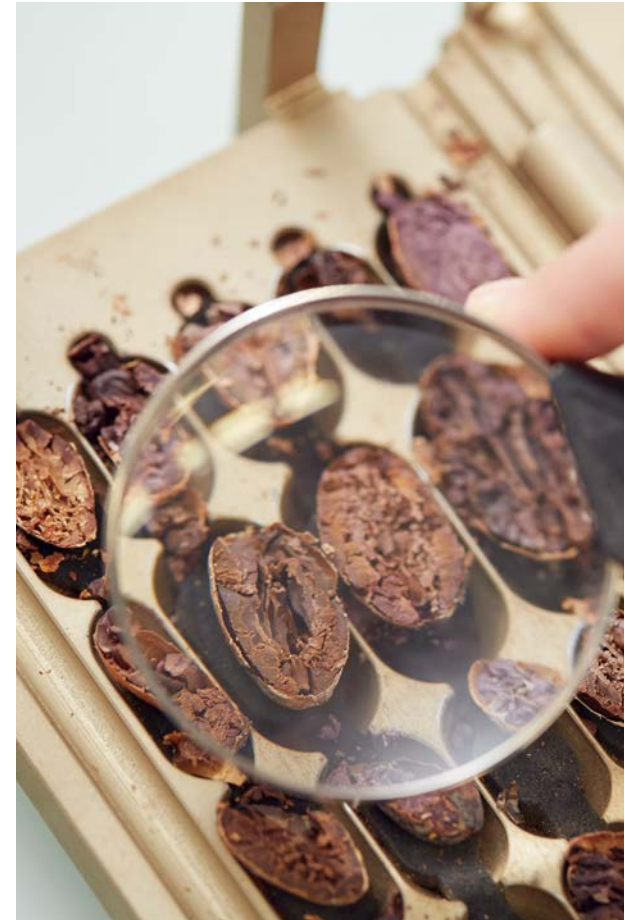
is another crucial chocolate ingredient, since comparatively more cocoa butter than sugar is used to produce premium chocolate. We sourced 33% of cocoa butter from segregated and verified sustainable sources in 2020. Based on the segregation model, transportation and cocoa butter processing of beans from sustainability programs are carried out separately from conventional beans. We are also working on sustainable sourcing strategies for the remaining cocoa products sourced in lower quantities, such as cocoa powder and chocolate (for Russell Stover only). Overall, we are on track with our sustainable procurement target for cocoa, having sourced 63% through sustainability programs in the last year (using ICCO conversion factors for bean equivalents of all cocoa products).

Traceability and verification of all cocoa beans

% of the sourced cocoa beans that were traceable and verified



Our cocoa beans come from Ghana, Ecuador, Madagascar, Papua New Guinea, and the Dominican Republic.





Hazelnuts

100% of Turkish raw (unprocessed) hazelnuts are sourced through sustainability programs by 2020

100%

Progress: 100% in 2020 (Commitment achieved)

Hazelnuts are a key raw material for Lindt & Sprüngli chocolate products. We source them from Italy and Turkey. The hazelnut supply chain in the Turkish Black Sea region, where approximately 70% of the world's harvest originates, has serious challenges, especially concerning labor conditions. This is why we have been working closely with our Turkish hazelnut suppliers since 2014 on implementing programs aimed at improving the economic, agricultural, social, and environmental sustainability of hazelnut gardens.

In the reporting year, we reached our goal and sourced 100% of Turkish raw (unprocessed) hazelnuts through sustainability programs. We even surpassed our commitment by integrating processed hazelnuts into the scope of our sustainable sourcing activities in Turkey. In 2021, we will continue to work closely with our Turkish hazelnut suppliers and support them as they expand and improve their sustainability programs.

Our hazelnut sourcing model is based on long-term relationships with select suppliers and a stable farmer base. All our Turkish suppliers are members of the ► *Fair Labor Association (FLA)*. Following the same structure as the Lindt & Sprüngli Farming Program for cocoa, our hazelnut program is based on four pillars:

1. Traceability and farmer organization

For our sustainably sourced hazelnuts, we rely on a segregation approach to traceability, in which hazelnuts from sustainability programs are strictly separated from conventional ones.

2. Training and knowledge transfer

Trainings for farmers follow a curriculum of good agricultural, environmental and social practices in classroom trainings and practical trainings on model gardens. Trainings for other workers are held both in their home villages in south-eastern Turkey and in the Black Sea region, and focus on topics such as workers' rights, occupational health and safety, and general health protection.

3. Farmer investments and community development

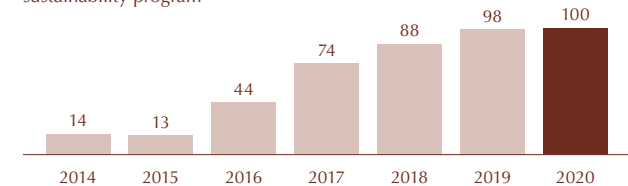
Farmer and community investments often include investments to improve workers' living conditions, such as renovating their accommodations and offering services like health check-ups. To fight child labor in the seasonal workforce, we support investments in Child Labor Monitoring Remediation Systems (CLMRS) and preventive measures such as summer schools for workers' children.

4. Verification and continuous progress

100% of the farmers are internally monitored by our implementation partners, while external verification of the program supports the tracking of program effectiveness and the identification of additional improvement potential.

Sustainable hazelnuts

% of raw (unprocessed) hazelnuts from Turkey that were sourced from a sustainability program





Palm oil

100% of palm oil/palm kernel oil is sourced RSPO certified by 2015

100%

Progress: 100% in 2020 (Commitment achieved)

We use limited amounts of palm oil, palm kernel oil, and their fractions exclusively in certain fillings of our chocolate and always declare so on our product packaging. Palm oil and palm kernel oil have outstanding melting properties, a neutral flavor, and remain solid at room temperature – qualities that allow us to avoid using hydrogenated vegetable fats. We recognize that palm oil production is associated with environmental and social sustainability issues, including deforestation and conversion of peatlands, biodiversity loss and the exploitation of workers, local communities, and indigenous people. To address these challenges, we are committed to only purchasing sustainable palm oil according to the [► Roundtable on Sustainable Palm Oil \(RSPO\)](#) standard.

Since December 2015, Lindt & Sprüngli has sourced 100% of its palm oil, palm kernel oil, and their fractions with RSPO certification and, for all our products produced in Europe, 100% according to the RSPO “Segregated” traceability level. Under the segregation model, sustainable palm oil is kept separate from conventional palm oil throughout the supply chain (see also the [► RSPO Segregation model](#)). Due to availability issues, our US subsidiaries use a mix of “Segregated” and “Mass Balance” palm oil, palm kernel oil, and their fractions. Along with our decision to use only RSPO palm oil, palm kernel oil, and palm fractions, we also review the use of palm oil in our new products and search for alternatives.



Soy lecithin

100% of soy lecithin (excl. Russell Stover) is sourced ProTerra certified by 2018

100%

Progress: 100% in 2020 (Commitment achieved)

We use soy lecithin to create the desired consistency of our chocolate. Soy cultivation is associated with different environmental and social impacts, in particular soy grown in rainforest regions. We rely on trustworthy external standards to address potential negative impacts. In 2020, 99% of the soy lecithin used in producing our chocolate mass has been certified with the [► ProTerra standard](#), 100% excluding Russell Stover chocolates. ProTerra is a widely supported and recognized standard for social responsibility and environmental sustainability in the food industry based on the [► Basel Criteria for Responsible Soy Production](#). Topics covered by the standard include, for example, environmental impacts, human rights and responsible labor policies, and product traceability. Additionally, ProTerra is a certification label indicating non-GMO soy.



Eggs

100% of eggs (excl. Russell Stover) are sourced cage-free by 2020

100%

Progress: 100% in 2020 (Commitment achieved)

Just a few of our products contain small amounts of egg. We care about the well-being of laying hens and set the target of not using any eggs from caged hens (shell, liquid or ingredients) in any of the products that are produced in our factories.

In 2020, 100% of eggs (shell, liquid or ingredients) used for products produced in our factories were sourced cage-free or at a higher standard, with the only exception being Russell Stover. The rate is 73% including Russell Stover volumes. We will continue engaging with our suppliers, and as soon as the processed ingredients are available from cage-free sources in the required quality, we will complete the changeover for Russell Stover as well. We will continue to communicate our progress annually and provide information about the potential issues we could face.





Packaging

90% of our procurement expenditure for packaging material from Asian factories is covered by a sustainability program by 2020

93%

Progress: 93% in 2020 (Commitment achieved)

Our new commitment:

100% of our pulp- and paper-based packaging is sourced from a certified sustainable supply chain by 2025

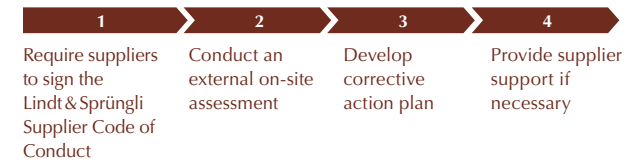
Packaging is critical for protecting our premium chocolate during transportation and in stores. It also allows us to present our chocolate products in an appealing way and to comply with national and international regulations on product declarations.

We are aware of the sustainability impacts related to packaging materials in our operations and supply chain. We address environmental impacts related to our operations in our section on “Waste and recycling” (> see p. 52). Through our Sustainable Packaging Initiative (> see p. 53), we continuously and proactively challenge our entire packaging portfolio (consumer, transportation, and display packaging) and strive to reduce the packaging materials used, increase recycled and sustainably certified content, and achieve full recyclability or reusability. One of our newly defined commitments of the initiative is of particular relevance for supporting our sustainable sourcing efforts: by 2025, we commit to source all our pulp- and paper-based packaging from a certified sustainable supply chain.

Sustainability is also considered when selecting new packaging material suppliers. For example, one of the selection criteria favors suppliers close to our factories, which helps to avoid long transportation distances and the corresponding greenhouse gas emissions.

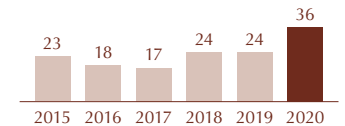
Around 10% of our packaging expenditure is with suppliers in Asia, in particular for our more decorative items for seasonal products such as tin boxes or plush toys. Asia has a highly specialized market for this type of product. To ensure that our Asian suppliers adhere to the ► *Lindt & Sprüngli Supplier Code of Conduct*, we monitor and improve responsible production practices through the Supplier Sustainable Practice (SSP) Program. As part of this Program, we assess significant packaging suppliers regularly through off- or on-site assessments, depending on their risk profile. We apply a cooperative, progress-oriented approach that encourages long-term improvements and offers targeted support services. Additionally, we have introduced a quick-check assessment format for new tier-2 subcontractors, which focuses on supplier compliance. In 2020, the Program covered 93% of our purchasing expenditure for packaging from Asia. It is being rolled out to new suppliers on an ongoing basis. Out of 36 suppliers assessed last year, 27 received a satisfactory or positive overall rating. Five suppliers with a lower rating will remain on our supplier list but are required to be audited on a more frequent basis and to show improvements. Where it is possible and reasonable, we will replace those suppliers or reducing the volume purchased from them. The remaining four suppliers were added to the Group-wide block list due to violating zero-tolerance issues or repeatedly failing to improve. We will continue the SSP Program and further intensify the collaborative approach with our long-term business partners.

Four steps of the Lindt & Sprüngli Supplier Sustainable Practice (SSP) Program



SSP Program

Number of external on-site assessments (initial and follow-up)



Outlook

We will define further measures for priority materials that have not yet been covered by sustainability programs. To this end, we have started to work on the Lindt & Sprüngli Sustainable Procurement Roadmap 2025. This Roadmap is based on our raw and packaging material risk assessment and guided by our commitment to “Human rights in the supply chain”. It will be finalized in 2021, and its implementation will start in 2022.

We will keep the number of audits and improvement engagements in the Asian region at least on the level of 2020. In addition, we will develop our methodology further to cover also additional environmental topics into our approach.



Contributing to an intact environment



Biodiversity and ecosystems

100% of sourced cocoa is free from deforestation by 2025 (= covered by a fully implemented No-Deforestation & Agroforestry Action Plan)



Progress: On track

Relevance & context

The global food system is highly dependent on biodiversity and healthy, functioning ecosystems. A wide variety of species support ecosystem services that provide clean water, air, and enriched soils. These services positively influence biological and agricultural productivity. At the same time, agricultural practices affect biodiversity and ecosystems in positive and negative ways. For example, while regenerative agricultural practices such as dynamic agroforestry schemes and reforestation efforts can be beneficial for species and ecosystem conservation, deforestation and the use of chemical inputs contribute to the loss of biodiversity.

Responsible natural resource management is more essential than ever before. Intact biodiversity and ecosystems are critical for the quality and long-term availability of our raw materials. The most relevant impacts regarding biodiversity and ecosystems occur in our supply chains, which are directly linked to our sourcing activities.

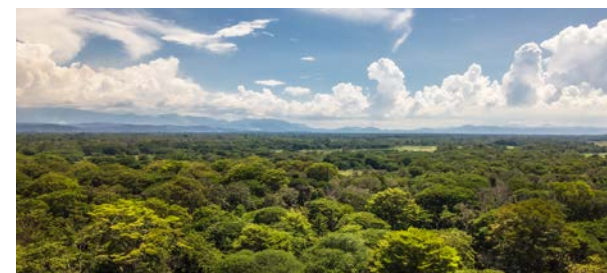
Management approach

We review environmental risks associated with our raw and packaging materials, including biodiversity and ecosystem aspects. We identify materials with the most significant impacts on biodiversity and ecosystems, develop suitable approaches to prevent and mitigate potential negative effects, and contribute to the recovery of ecosystems in collaboration with other stakeholders.

In our ► [Supplier Code of Conduct](#), we clearly outline our expectations for all suppliers to minimize their impacts on natural resources including air, land, forests, and water. Our 326 largest raw and packaging material suppliers were required to undergo an EcoVadis sustainability assessment (> see Sustainable sourcing, p. 36) for the first time in 2020. Apart from an evaluation on progress in biodiversity-related areas, this includes yearly action plans to ensure continuous improvement in select areas.

We have defined specific approaches incorporating biodiversity measures for sustainable sourcing of cocoa, palm oil and soy lecithin (> see Sustainable sourcing, p. 36). Of all our raw materials, cocoa is by far the most important given the large volumes we source in combination with the high risk of biodiversity loss through deforestation or harmful farming practices. We have a responsibility to contribute positively to biodiversity by ensuring that our cocoa-sourcing activities

are not associated with deforestation of valuable forests found in the sourcing regions. To this end, we launched the ► [No-Deforestation & Agroforestry Action Plan for Cocoa](#) in 2019. Through the Farming Program, we engage against deforestation by mapping all cocoa farms, ensuring no cocoa beans from protected areas enter our supply chain or by making sure Farming Program farmers do not expand their farms by expanding into valuable forests. We directly contribute to a functioning ecosystem through complementary activities, such as training farmers to respect ecological principles and protect water sources, promoting organic farming practices, and supporting agroforestry through capacity building and the distribution of shade trees. We recently expanded our approach beyond our direct supply chain to support collaborative action on a landscape level (> see Landscape Approach, p. 46).



No-Deforestation & Agroforestry Action Plan for Cocoa

The growth of the cocoa industry in recent decades, coupled with aging farms with decreasing productivity, has increased pressure on forests, especially in West Africa. Forests contain fertile soils, which are attractive for agriculture. Tropical forests house vast amounts of biodiversity, including endangered species, and provide critical environmental services such as carbon storage, regulation of the water cycle, and water purification. Those services are also key for agriculture, contributing to good weather conditions and regular rainfall that helps mitigate droughts, which negatively affect cocoa production. While forests are critical to regulate the Earth's climate, they continue to be degraded at alarming rates. In Ghana and the Ivory Coast, the two main cocoa production countries, deforestation is a serious issue.

In order to contribute to ending deforestation, we have committed to sourcing all our cocoa from areas free from deforestation by 2025 (= covered by a fully implemented No-Deforestation & Agroforestry Action Plan), while avoiding conversion of valuable forest land for cocoa production in our supply chain. Our [► No-Deforestation & Agroforestry Action Plan for Cocoa](#), launched in 2019 for all our countries of origin, outlines four primary objectives, all of which are adapted to the local context during implementation:

- No cocoa sourcing from protected areas as per local laws
- No expansion of land for cocoa cultivation into areas defined by the High Carbon Stock Approach or equivalent
- Agroforestry systems for cocoa production
- Supporting (community) forest protection and restoration

Processes ensuring compliance and activities supporting farmers in sustainable production are implemented as a means to achieve the four objectives.

Action Plan implementation in 2019/20

2020 marked the second year of implementation of our Action Plan. Our [► No-Deforestation & Agroforestry Progress Report](#) highlights initial successes as well as key learnings to guide our journey over the coming years. The current status of our key indicators is as follows: 63% of our overall cocoa volume (beans, butter, powder, and chocolate) is sourced through sustainability programs in which we started the implementation of the No-Deforestation & Agroforestry Action Plan and/or the [► Cocoa and Forest Initiative \(CFI\)](#) commitments. 60% of our overall cocoa volume is sourced from farms proven not to be located in protected areas as per local laws. For the remaining 3%, mapping and legality checks of farms need to be finalized or, as it is the case in Ecuador, some farmers with governmental permission to operate in protected areas will only be counted into the KPI once we made sure that their farming practices are in line with conservation principles. The other 37% of the overall cocoa volume was sourced conventional. As part of our efforts to promote agroforestry systems for cocoa production, 2,263,103 permanent shade trees were distributed in cocoa sustainability programs since their start.

More indicators, specifically for the Lindt & Sprüngli Farming Program, which covers cocoa beans only, can be found in the “Rural development” section (> see Lindt & Sprüngli Farming Program in numbers, p. 19).

Key milestones were achieved in 2020 in scaling activities and establishing solid processes, staff capacity building, promotion of agroforestry practices, and engaging in collective efforts at landscape level.

We have made progress in scaling sensitization trainings on the concepts underpinning the Action Plan. Furthermore, after implementing robust traceability systems to accurately identify the exact origins of our cocoa beans,

we improved processes and procedures for onboarding new farmers and monitoring existing ones.

Regarding agroforestry, shade tree distribution to promote on-farm tree planting has continued. Simultaneously, we worked on monitoring and gaining a better understanding of the challenges and critical success factors during implementation (e.g., regarding the survival rates of the shade trees in the field). We also started several projects with specialized organizations to assess our current efforts, identify gaps and build the local staff's capacity to support the farmers in establishing and optimizing agroforestry on farms. To significantly simplify and monitor agroforestry efforts on a large scale, suppliers shared valuable farm-level data, which will be used by the Swiss Federal Institute of Technology (ETH) to develop an algorithm to remotely measure shade levels in a project funded by the Lindt Cocoa Foundation ([► see factsheet](#)).

We continued to collaborate with [► Earthworm Foundation](#) to better understand and protect valuable forest patches close to the farms in our supply chain. To this end, an integrated High Carbon Stock (HCS)/High Carbon Value (HCV) assessment within the supply chain in the Echni district of Ghana was implemented. The [► High Carbon Stock Approach \(HCSA\)](#) is a methodology that distinguishes forest areas for protection (together with HCV) from degraded lands with low carbon and biodiversity values that may be developed. The Enchi project continued with a study on potential incentive mechanisms to protect valuable, unprotected rural forests through engagement with farmers and communities. Once available, the results will provide interesting insights on the discussion around potential engagement and incentive schemes for forest conservation at the farm and community level.

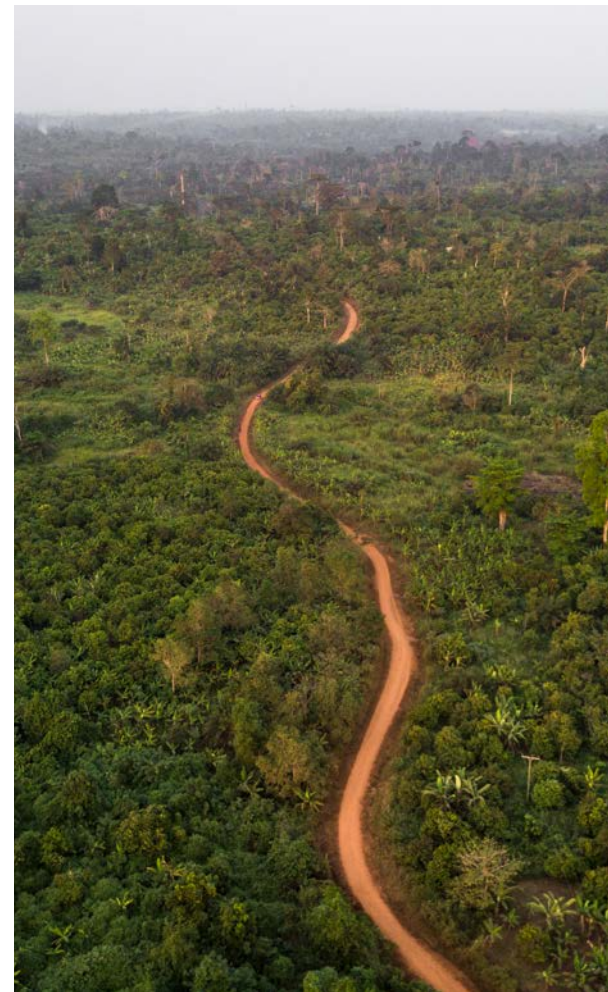
In Madagascar, an in-depth landscape assessment was started to identify priority zones for conservation and carbon stock (HCV and HCS), ecological restoration, and diversified cocoa production. The results will be integrated into a landscape management plan which will be developed and managed by a local governance body within the framework of a multi-stakeholder landscape project ([▶ see factsheet](#)).

Conducting HCV/HCS assessments is a resource-intensive exercise due to the wide dispersion of farms across different regions in each country of origin. Therefore, we are currently working with Earthworm Foundation to develop a tool to apply the concept at the farm level. The methodology of “Holistic Farm Plans” will be developed and piloted in our two supply chains in Ecuador. It aims to support farmers by co-creating a vision for the development of the entire farm in accordance with conservation principles through participatory engagement with the farmers and their families. The pilot will specifically engage farmers close to protected areas.

Finally, we made considerable progress in our engagement in landscape projects (> see Landscape Approach, p. 46). In Ghana, three of our four sourcing locations in the officially defined Hotspot Intervention Areas (HIAs) (priority cocoa production regions) are now linked to an initiative at a landscape level. The Kakum and the Juabeso/Bia West landscapes are two key sourcing regions in which protected areas are surrounded by cocoa farmers. There, we work with the [▶ Nature Conservation Research Centre \(NCRC\)](#), a local organization specialized in community-based conservation to build locally embedded governance structures for forest

conservation in cocoa communities. To better assess the impact of such collective action for conservation, we participate in testing a monitoring and evaluation approach for progress at a landscape level. Its development is co-funded by the Lindt Cocoa Foundation ([▶ see factsheet](#)). Additionally, we will pilot Landscape, a sustainability standard for landscapes in the two mentioned landscapes. Our third engagement at the landscape level in Ghana is the [▶ Asunafo-Asutifi Landscape Program](#), an initiative recently initiated by the World Cocoa Foundation (WCF) and implemented by Proforest. In Madagascar, we launched a multi-stakeholder landscape project in collaboration with Helvetas, SECO, Earthworm Foundation, the University of Berne, and other private-sector partners ([▶ see factsheet](#)). All of these long-term engagements have just started, and considerable efforts will be needed to successfully implement them.

As part of the activities to implement our Action Plan, we are also CFI signatories. Through this public-private partnership, we engage with other key players in the cocoa and chocolate industry, as well as the governments of Ghana and the Ivory Coast, to stop cocoa-related deforestation. Specific indicators on the CFI can also be found in the 2020 [▶ No-Deforestation & Agroforestry Progress Report](#). Further, we are an active participant of the Biodiversity & Ecosystems working group of the Swiss Platform for Sustainable Cocoa. This working group promotes information exchange and learning between all members and takes a leading role in defining the biodiversity targets, which will be a crucial element of this multi-stakeholder initiative in the future.



Collective Action through the Landscape Approach

Context

Deforestation and the resulting implications for carbon emissions and biodiversity loss are among the most significant sustainability challenges. The last decades of sustainable sourcing efforts addressing environmental and social conditions at farm-level has proven that these issues reach far beyond the boundaries of individual farms. Often, they are systemic in nature and closely connected to rural communities and other actors in a cocoa landscape. To achieve significant impact over time, issues cannot be solved by one single company supporting a limited number of farmers linked to its supply chain. Instead, impactful change requires scale, collaborative action and coordinated efforts with all the stakeholders in a specific landscape. This includes collaboration with non-cocoa supply chain players present in the same geographical area, whose operations equally impact the local ecosystem connected to the cocoa industry.

The Landscape Approach

The Landscape Approach implies a collaboration of multiple stakeholders in a landscape across different economic sectors to reconcile competing social, economic and environmental objectives. A landscape is understood by visible features of an area of land, its landforms, and how they integrate with natural or man-made features. Landscapes reflect a living synthesis of people and place that is vital to local and national identities. A key component

of the Landscape Approach is integrated landscape management, which builds on locally embedded governance structures that facilitate community-based resource management for forest conservation. Local governance and coordinated action at a landscape level enables more effective protection and restoration of forests. In the cocoa sector, this approach will be essential to curbing forest loss and achieving sustainability at scale and over time.

Relevance for Lindt & Sprüngli

Initiatives at a landscape level will be important to achieve the objectives of our [► No-Deforestation & Agroforestry Action Plan](#). Participating in programs at a landscape level in different locations permits us to coordinate and align our Farming Program activities with the vision, norms, and values of the local communities, governments and other private sector actors. By ensuring all stakeholders work towards the same goal, we achieve bigger impact. While the Landscape Approach is no silver bullet, it is a good way of collaborating and working on issues that exceed the ability of individual actors to respond at scale. This engagement is complementary to our Farming Program, allowing us to engage beyond our own supply chain. With our engagement at landscape level, we aim to create value and help to shape the history of conservation in cocoa landscapes by developing the first successful Landscape Approach use cases.

Evaluation & outlook

In the second year of the implementation of our No-Deforestation & Agroforestry Action Plan, we made good progress in establishing a solid basis for our commitment. Traceability systems are now in place and the Action Plan requirements were fully integrated into Farming Program activities, processes, and monitoring and verification systems.

We will continue to collaborate with our partners to successfully implement activities on the ground, while critically assessing the value of our measures and adapting our approach whenever necessary. Several topics, such as agroforestry, landscape projects or finding incentive mechanisms for conservation of valuable rural forest patches, are new and require significant engagement. Together with our partners, we need to explore how measures can be implemented on a large scale and ensure local staff have the necessary knowledge and capacity for implementation. Finally, Lindt & Sprüngli is convinced that collective action of all stakeholders is needed to address the challenge of deforestation. We started bottom-up landscape projects with concrete action at field level to establish the basis for collective action and invite other actors to participate. We will closely accompany ongoing landscape projects, share our learnings and contribute to building the collaborative network necessary to foster change in the cocoa sector.



CO₂ and climate

Achieved: 10% reduction of greenhouse gas emissions in the production process from 2015 by 2020, per ton produced



Progress: 21% in 2020 (Main commitment achieved)

— **Our interim commitment:**

2% reduction of greenhouse gas emissions in the production process per year from 2020, per ton produced

— **Our new main commitment:**

Define a science-based target (including Scope 1, 2 & 3) with a goal to reach net-zero emissions in the long term, to be announced in 2023 latest

levels, but preferably to a maximum 1.5 °C. Countries, companies, and individuals must continue to take urgent action to reduce and neutralize greenhouse gas (GHG) emissions, in order to meet the objectives of the Paris Agreement.

Lindt & Sprüngli recognizes its responsibilities to reduce its emissions. Most of our emissions are from indirect operations in our value chain, particularly from the sourcing and production of raw materials. We also release emissions directly, e.g., by using energy in our factories for heating, cooling, and transporting our chocolate. We need to continuously work to reduce our emissions in collaboration with our partners to help meet the goals of the Paris Agreement and reduce physical, regulatory, and reputational risks to our business.

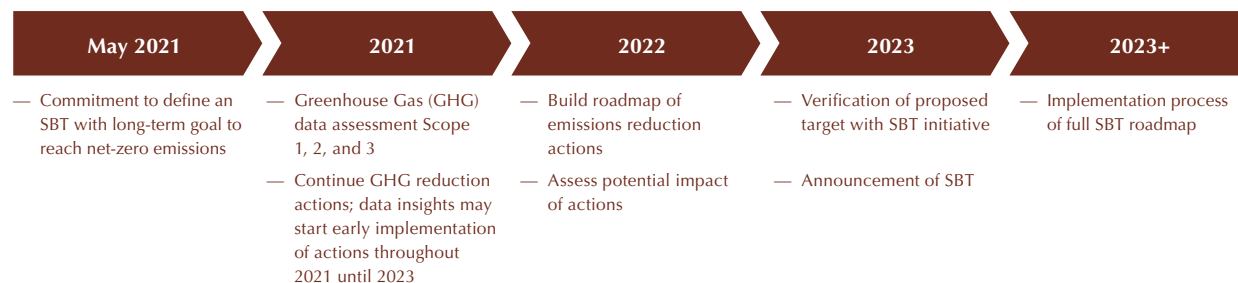
Management approach

Over the past years, Lindt & Sprüngli's emissions management and reporting have focused mainly on direct emissions from the production of our chocolate within our production facilities. As a responsible company, we identified a need to step up our approach. In May 2021, we committed to define a science-based target, including emissions from our entire value chain, with a long-term goal to reach net-zero emissions. We have submitted this commitment to the [► Science-Based Target initiative](#). We aim to publish our science-based target in 2023, together with a roadmap of actions on how to achieve this target.

Relevance & context

Environmental degradation was recognized by the World Economic Forum as one of the most pressing issues of today, posing existential threats to humanity. In particular, the failure to address climate change could have catastrophic consequences. Although lockdowns worldwide evoked by Covid-19 caused global emissions to fall in 2020, this reduction in a single year will not alter the course of global warming in general. Therefore, a shift towards greener economies cannot be delayed until the shocks of the pandemic subside. In 2016, the UN Paris Agreement recognized the need to limit global warming to well below 2 °C from pre-industrial

Pathway to announce a Science-Based Target (SBT)



In the two years to come, we will work with experts to develop this roadmap, and we will report on our progress regularly. We will begin to take emissions reduction steps in advance of the target announcement where possible. And, to continue on the path we have already set out in reducing emissions from our production operations since 2015, we remain committed to our previous target for the coming two years, to strive for emissions reduction levels of 2% per year per ton of chocolate produced.

A first step towards committing to a science-based target means we will need to critically assess our current GHG emissions reporting and ensure it is in line with the requirements of the GHG Protocol. This will include all our Scope 1 and 2 emissions, whereas in the past we have focused mainly on emissions from manufacturing operations. As we will also look to set goals for emissions from our supply chains (Scope 3), we will conduct extensive work to take stock of these emissions using a life-cycle-assessment approach. We aim to provide intermediate updates on our progress as we gain new insights along the way, such as more accurate and more transparent data, as well as potential actions to achieve significant emissions reductions.

In the short term, our International Operations Team will review our approach to successfully deliver a science-based target for our entire value chain and will remain responsible for defining our energy and greenhouse gas emissions strategy for production processes. Sites define actions locally on how to contribute to this strategy, and achievements are reviewed on a regular basis with the International Operations Team. All our factories are pursuing the goal of further decreasing their energy consumption in alignment with our

Group commitment. We regularly undertake a detailed analysis of existing systems and future investments to identify energy reduction potential and share results from local projects on a global level. Some of our factories also use certifications to improve their environmental management and energy efficiency. For example, our Caffarel factory in Italy and Lindt & Sprüngli France have ISO 14001-certified environmental management systems, and Lindt & Sprüngli Germany has an energy management system certified according to ISO 50001. We also intend to increase the percentage of renewable energy within our overall energy consumption. Furthermore, we report our data to CDP, and we will evaluate how we can share insights from this disclosure more widely as part of our commitment to new targets.

Our ► [Lindt & Sprüngli Environmental Policy](#) is our shared basis for all activities relating to environmental protection. With the intention of assuming responsibility within our supply chain, we also work with our suppliers, farmers and communities on these issues. Our ► [Supplier Code of Conduct](#) is the main instrument for communicating our expectations for the sustainable management of energy and emissions to our suppliers as well as demanding their compliance with the corresponding requirements (> see Human rights in the supply chain, p. 35). We educate farmers on the implications of climate change and on climate-smart farming through the Lindt & Sprüngli Farming Program (> see Rural development, p. 12). We follow a no-deforestation strategy regarding cocoa sourcing (> see No-Deforestation & Agroforestry Action Plan for Cocoa, p. 44).

Activities

The majority of Lindt & Sprüngli's energy consumption in production operations stems from heating, cooling, and transport. Consequently, our production sites focus on these processes when working on energy efficiency. In the reporting year, local measures implemented included the optimization of heating, ventilation, and air conditioning systems, the replacement of refrigerating units and refrigerating fluids, and the improvement of the insulation of piping systems.



Lindt & Sprüngli's logistics center in Altendorf, Switzerland, inaugurates its own solar installation

In October 2020, a solar panel installation on the roof of our logistics center in Altendorf, Switzerland, was inaugurated. The 2,450 solar panels of the installation cover an area of 3,400 m². We estimate they will produce 730 MWh of electricity per year on average. This is roughly equivalent to the annual electricity consumption of 180 single-family homes or about 25% of the electricity demand of the logistics center.

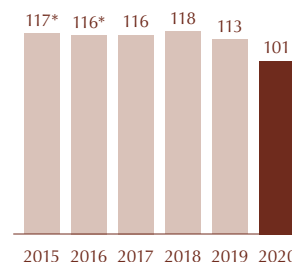
Evaluation & outlook

We have been able to reduce greenhouse gas emissions from our production processes per ton of chocolate produced by over 20% since 2015. In the process, we achieved and exceeded our overarching commitment of a reduction of 10% by 2020 in this focus area. The share of renewable electricity remained stable at 39%. As part of our new commitment to develop science-based targets, one of the associated actions will be to review how to increase this share over the years to come and to quantitatively assess the related reduction of greenhouse gas emissions. Nevertheless, 100% of the electricity bought by Lindt & Sprüngli Switzerland, Lindt & Sprüngli Austria as well as Caffarel is from renewable sources. Some companies, such as Ghirardelli, make use of offsets, either directly or through the energy supplier, to compensate for energy use emissions.

We reduced our energy consumption by almost 8% per metric ton of chocolate produced compared to 2015. This means that we did not reach our sub-target of a 10% reduction of energy use by 2020. The main reason was the fact that due to the exceptional circumstances caused by the pandemic, we produced significantly less chocolate. However, the associated energy use did not decrease proportionally, leading to a stagnating reduction.

CO₂ emissions

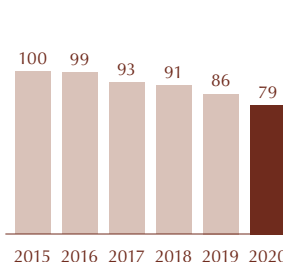
Absolute CO₂ emissions
in 1,000 metric tons



Note: figures are for Lindt & Sprüngli production companies (Scope 1 & 2) only.

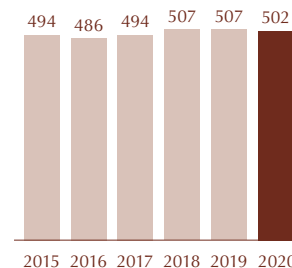
* Recalculated values due to the use of more precise conversion factors (emission values in the years 2015/2016 were lower than stated in the 2016-2018 Sustainability Reports)

CO₂ emissions per metric ton of
chocolate produced (2015 = 100%)



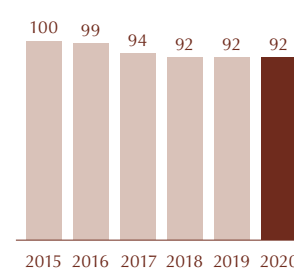
Energy consumption

Absolute energy consumption
in 1,000 MWh



Note: figures are for Lindt & Sprüngli production companies only

Energy consumption per metric ton of
chocolate produced (2015 = 100%)



We anticipate that in the years to come, emissions reduction plans will be more prominent due to our commitment to develop science-based targets. When developing a roadmap, we will implement changes in our organization that drive these plans in a more structured and measurable way. In the meantime, sites are already taking action to reduce emissions in the short term. For example, Lindt & Sprüngli USA is planning to supplement its air compressors with a heat recovery system that will provide hot water to be used in its process system. We estimate that this optimization will provide substantial electricity and natural gas savings. Other reduction activities will be systematically identified in the context of operational processes and the development of a roadmap for a science-based target.





Achieved: 10% reduction of municipal water used in our production process from 2015 by 2020, per ton produced



Progress: 22% in 2020 (Main commitment achieved)

— Our new main commitment:

10% reduction of municipal water withdrawn in our production process from 2019 by 2025, per ton produced

Relevance & context

Water is a valuable natural resource that is heavily used in the production of chocolate. Efficient use of water and appropriate handling of wastewater are crucial within production processes in order to avoid or reduce environmental impacts at a local level. Furthermore, we have water-related risks in our supply chains such as water-intensive agricultural commodities grown in water-stressed regions.

Water is an important issue for Lindt & Sprüngli's stakeholders, including local communities. The risks and opportunities associated with the use of water mainly occur at a local level. Therefore, complying with local regulations regarding water use and discharge is key.

Management approach

The International Operations Team is responsible for defining our water management strategy for our production processes. The corresponding action plan is adapted and implemented at a subsidiary level. In our production facilities, a steady supply of fresh drinking water is required for production processes and cleaning. With respect to water scarcity, our producing operations do not have a material impact on water availability, because a very small part of our production takes place in water-stressed areas. Likewise, our impact from wastewater on water ecosystems is currently estimated to be low. We aim to gain further insights on potential local risks and opportunities with the development and execution of an integrated water roadmap, which is part of our updated goals for responsible water management.

Our production sites review opportunities for improving water efficiency and reducing the water footprint of their chocolate on an annual basis. If new projects are developed, water use is taken into account. Our [► Lindt & Sprüngli Environmental Policy](#) is our shared basis for environmental protection, including our contribution to the responsible management of water resources. Impacts in our value chains are addressed in the focus areas "Rural development" and "Human rights in the supply chain".

We aim to further limit our impact on the environment and the water ecosystem. This includes measures for the reduction of fresh-water consumption as well as wastewater generation. In order to reduce the water withdrawn in our production facilities, we are implementing solutions to recycle our water internally.

Alongside our operations, we strive to address water-related challenges in our global value chain. For this reason, we expect our suppliers to adhere to our [► Supplier Code of Conduct](#), which outlines requirements for water stewardship through our onboarding and compliance process for suppliers. Adequate water infrastructure is built in cocoa countries through the Lindt & Sprüngli Farming Program as part of our engagement for "Rural development".

Evaluation & outlook

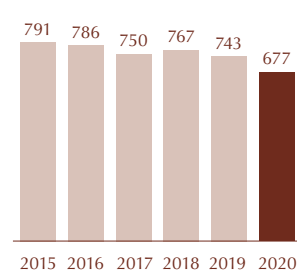
In our production, we mainly use municipal water for cleaning operations (e.g., to clean molds, wash hands, and in sanitary facilities) but also in some water-based filling products. We assess our water consumption rates twice a year and continuously optimize our processes and systems. Where needed, we also look to install equipment to improve our measurement of water consumption.

Since 2015, municipal water consumption per metric ton produced has declined by 22% in the Lindt & Sprüngli production companies. We have thus exceeded our 2020 commitment of a 10% reduction of the municipal water used in our production process per ton produced by 12%.

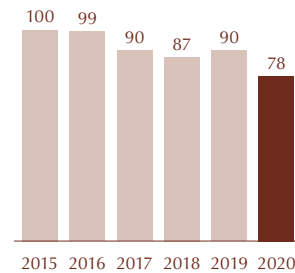
In 2020, we renewed our commitment to reduce municipal water withdrawal in our production processes by another 10% per ton of chocolate produced by 2025. As a result, we recognize the need to consistently look at opportunities to reduce the volume of water we take from the environment. We have also set new qualitative goals and aim to develop an integrated water roadmap by 2025. Aspects of this roadmap will include a review of our reporting practices, assessment of local water-related risks and water-stressed areas, and lastly, external collaboration opportunities. We will report on the progress of this plan on an annual basis.

Municipal water consumption

Absolute water consumption
in 1,000 m³



Water consumption per metric ton of
chocolate produced (2015 = 100%)



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





Waste and recycling

50% reduction of semi-finished product waste in the production process from 2015 by 2025, per ton produced



Progress: 31% in 2020 (On track)

Relevance & context

Material waste is a significant factor for any impacts on the environment, regardless of whether it is raw material, food or packaging material. This applies in particular to material which is wasted in the later stage of the value chain, as this material has accumulated impacts from the previous processing steps. Reducing the loss of semi-finished products in our production process is therefore key to minimizing the environmental impact of our products. Our packaging material also plays a decisive role as it protects our valuable chocolates and reduces environmental impacts linked to chocolate production. However, packaging consumes resources itself and leads to environmental impacts such as ecosystem degradation if not properly disposed of.

Consumer and customer awareness of material waste, especially regarding plastic and food waste, has increased sharply over the past years, followed by elevated NGO and media attention. Relevance is also given through governmental activities resulting in legislation. In addition, resource efficiency also has beneficial impacts on our long-term cost structure.

Lindt & Sprüngli Production Way

Management approach

Material waste and post-processing in our operations have significant impacts on the environment and our cost structure. We are constantly striving to optimize our processes by searching for and eliminating non-value-adding activities and any kind of losses. Therefore, we created the Lindt & Sprüngli Production Way (LPW), which structures our approach to reducing losses in our operations. It is coordinated by International Operations with local operations teams responsible for its implementation. The LPW is implemented in each production facility and strengthens our culture of operational excellence while making a positive impact on business results and sustainability.

Activities

The improvements we have made to our processes are reflected in the increased efficiency of equipment and personnel, as well as ultimately in the reduction of material waste. Our know-how in chocolate production, the expertise of our employees, and state-of-the-art technology enable us to set up optimum process conditions and monitor the relevant parameters to ensure the best quality while minimizing waste. We apply our methods through two main workstreams:

- Continuous improvement, based on loss analysis, loss reduction, and loss prevention
- Daily management, based on processes control and standards management

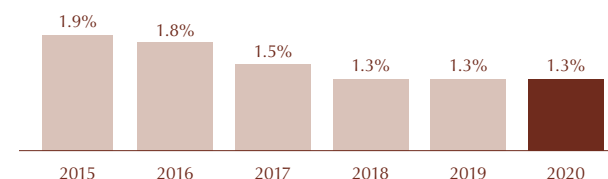
Evaluation & outlook

Due to the increased robustness of our production processes, we were able to keep semi-finished product waste stable, even in such a challenging year with unpredictable shifts in production volumes and mix. During 2020, the percentage of semi-finished product waste was kept at 1.3%, the same level as in 2019. We are on track with our ambitious target of a 50% waste reduction compared to our 2015 baseline, having reached 32% in 2020.

Moving forward, we will keep progressing by further investing in digitalization. The connectivity between our data systems will provide better visibility of losses and increase our effectiveness in reducing them. Digitalization in operations will focus on three areas: to further improve our processes, to introduce advanced technologies, and to increase the capability of our employees to best exploit the potential of new digital tools.

Semi-finished product waste in the production process

per ton produced (excluding destruction of finished goods)



Sustainable Packaging Initiative

Management approach

At Lindt & Sprüngli, we strive to minimize our environmental footprint throughout our value chain. Improving how we source and use our packaging material is an essential driver for this endeavor. We are determined to eliminate waste and address environmental risks such as deforestation by continuously and proactively challenging our entire packaging portfolio – from source (> see Sustainable sourcing, p. 36) to disposal. Still, proper local infrastructure and markets for collecting, sorting, and recycling packaging material as well as enhanced consumer behavior must exist where our products are consumed for the objectives to be realized. We are therefore proud to introduce our new Sustainable Packaging Initiative, which brings us one step closer to achieving these ambitions.

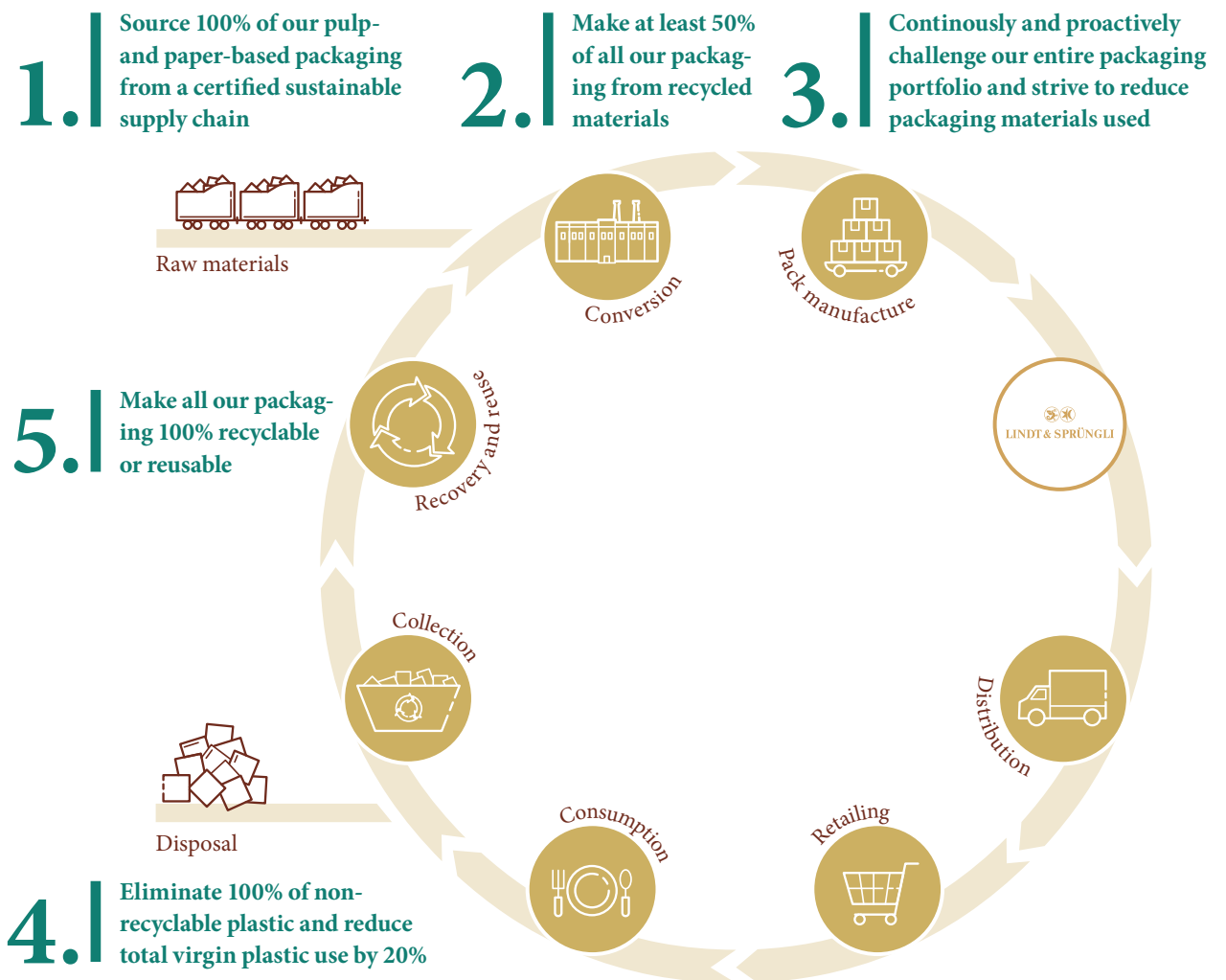
2020 baseline:

Packaging made from recycled materials 45%; packaging made from virgin plastics 10%; recyclable packaging 86%.

Packaging commitments apply to total packaging (i.e. consumer, transportation, and display units).

Our five Sustainable Packaging Commitments to support the circular economy

By 2025, we will:



Through this holistic approach, we also aim to improve our contribution to the circular economy. The Initiative integrates environmental criteria in the design process of product packaging while maintaining other aspects such as food safety, quality, and cost-effectiveness. It addresses Lindt & Sprüngli's impacts along the complete packaging life cycle, from the wrappers protecting our chocolate to the display stands in our retail shops to the packaging material required for transportation. The 92,305 tons⁷ of packaging we used in 2020 were divided into three main types of packaging:

- Consumer Units (CU): All packaging materials in which our products are sold to consumers
- Transportation Units (TU): Packaging material which is used to take consumer units to the stores
- Display Units (DU): Packaging materials in or on which our consumer units are placed within stores for presentation purposes

The differentiation between these three packaging types is important since the composition of base materials used for each type varies considerably across the three categories. While Transportation Units and Display Units are often made from only a few material types (predominantly paper and cardboard), Consumer Units consist of more material types and more often use virgin materials. This, in turn, affects the recyclability of the different packaging types, for example.

Our Sustainable Packaging Initiative is facilitated by the cross-functional Global Packaging Council. International Marketing is accountable for the Initiative, which is rolled out to and implemented by all our local subsidiaries.

The main instrument to implement our commitments is our Packaging Sustainability Handbook, an implementation guide for all our subsidiaries. The handbook provides a consistent understanding of our commitments to develop local action plans with Group-wide tracking of KPIs.

Activities

In 2020, we started to gather data for the KPIs across all subsidiaries. Based on this baseline data, the Global Packaging Council set up technical working groups to work on solutions for reaching the five commitments. These working groups will act as a platform for exchanging best practices on available technical solutions, launch joint development projects with suppliers and fund research.

Evaluation & outlook

Excluding Russell Stover, which will be included in future inventories, Lindt & Sprüngli used 92,305 tons of packaging in 2020. While we started to track our progress against our commitments last year (> see Sustainable Packaging Initiative, p. 53), we will report more comprehensively on our progress and on the measures we implement from 2021 onwards. The technical working groups started their work in 2021.



95% less plastic: LINDOR Advent calendar in new, more sustainable packaging

In 2020, the LINDOR Advent Calendar was sold without plastic trays for the first time in Germany. Instead, trays made from pure paper fiber were used. This development saved a total of 16.9 tons of plastic and added convenience for consumers: once empty, the calendar can be disposed of through normal wastepaper channels. The sustainable advent calendar sparked a lot of positive consumer feedback, shared via social media and consumer service.

⁷ The figures for 2020 do not include Russell Stover. These will be included at a later stage.



Performing together



Business integrity

We do not participate in any corrupt or anti-competitive behavior



Progress: No deviations

Relevance & context

Corruption and anti-competitive behavior result in economic damage by causing commercial losses, promoting social inequality, and undermining democratic processes. Having the intention to avoid adverse effects on societies, foster political stability and support economic prosperity, companies need to ensure legal compliance and, above all, must act according to ethical and moral standards. Business integrity is therefore essential for any company whose aim is to be acknowledged as a responsible employer and business partner.

Consequently, Lindt & Sprüngli views business integrity as the cornerstone of its business strategies and practices.

Management approach

The significance that Lindt & Sprüngli attaches to responsible behavior is reflected in our corporate policies. Our ► [Credo](#) and our ► [Business Code of Conduct](#) clearly set out our core values and expectations for our employees across all business units and call for compliance. The Business Code of Conduct is communicated to all employees and is monitored through our internal control system.

We are committed to the principle of free competition and comply with all applicable domestic and international legal requirements. The Lindt & Sprüngli Competition Law

Policy outlines the generally applicable competition provisions that Lindt & Sprüngli employees are expected to adhere to. Additional policies and mechanisms can also exist at a local subsidiary level.

Group Human Resources (HR) is responsible for managing business integrity in our operations with support from our local subsidiaries. We use awareness-raising and training courses to support the implementation of our codes and ensure that everyone at Lindt & Sprüngli, including all members of management, supervisors and employees, follows our core values and complies with our business integrity policies. We encourage our employees to report any instances of illegal, fraudulent, unethical or undesirable conduct observed in Lindt & Sprüngli business activities. Local HR and, if needed, Group HR act as an additional contact point outside the reporting line that is accessible to all employees to express any suggestions or concerns.

We are working with our suppliers on these issues to assume our responsibility within our supply chain. Each supplier is provided with the ► [Supplier Code of Conduct](#), which they are asked to sign. We expect our suppliers to take responsibility and implement the requirements of the Code and the necessary due diligence processes with their own employees, agents, temporary workers, subcontractors, homeworkers, suppliers, and sub-suppliers with whom they work to deliver goods and services to Lindt & Sprüngli. Supplier requirements relating to business integrity are further addressed in the section “Human rights in the supply chain”.

Activities, evaluation & outlook

In 2020, we implemented and initiated various projects aimed at ensuring compliance and strengthening business integrity.

Group Legal and Intellectual Property conducted online training sessions on antitrust/competition law for subsidiaries of the Lindt & Sprüngli Group. To address sexual harassment and discrimination, the Legal Team of Lindt & Sprüngli North America conducted comprehensive in-person and online training sessions for the US entities. Additionally, we started to work on implementing a global whistleblowing system, which is planned to be rolled out in 2021.

Our commitment, approach, and activities relating to business integrity directly support the prevention of corruption and anti-competitive behavior. In order to verify whether our business integrity values are lived out within the Lindt & Sprüngli Group, we incorporate questions on these issues in our Employee Engagement Survey, which is conducted every three years.

Going forward, Lindt & Sprüngli will continue to ensure rigorous compliance with legal requirements. Being a responsible employer, we strive to continuously improve our business activities to meet the highest ethical standards of conduct, with the aim of surpassing the required compliance with our standards.



Occupational health and safety

We aim to continuously reduce our safety risk to achieve our long-term vision of zero lost-time accidents



Progress: On track

Relevance & context

Healthy and productive employees are the foundation of our business. Physical and psychological integrity is an unequivocal right of our employees and, therefore, it is of the highest importance that we provide a safe working environment for all our staff and contractors. Failing to provide healthy and safe workplaces can lead to significant, and in the worst case, life-changing personal impacts for our employees. Furthermore, in the unlikely event of a significant incident, our business could incur legal consequences, high costs, impact to reputation, and a loss of productivity.

Management approach

Lindt & Sprüngli manufactures its products in a manner in which we continuously look to reduce risks in our activities. Our vision is zero lost-time accidents and zero occupational illnesses. Our [► Health and Safety Policy](#) defines common principles that are to be adhered to by all production and distribution subsidiaries. International Operations is responsible for defining and rolling out our approach, which is implemented by all production companies, as well as our facilities at Lindt & Sprüngli Australia. The

approach is divided into two workstreams: activity-based risk assessment and a safe behavior system. These two workstreams complement our efforts to make equipment, workplaces, and processes safer.

We also expect our suppliers to provide their employees with a safe and healthy workplace as defined in our [► Supplier Code of Conduct](#). Beyond our approach to prevent accidents, we further promote the health and well-being of our employees in our “Enabling and motivating working environment” focus area.

Activities

In 2020, we improved our reporting and assessment of very critical and critical health and safety risks, with an aim to stop or modify activities that pose the highest risks. The activity-based risk assessments, implemented in 2019 in all our production facilities, served as the foundation for this.

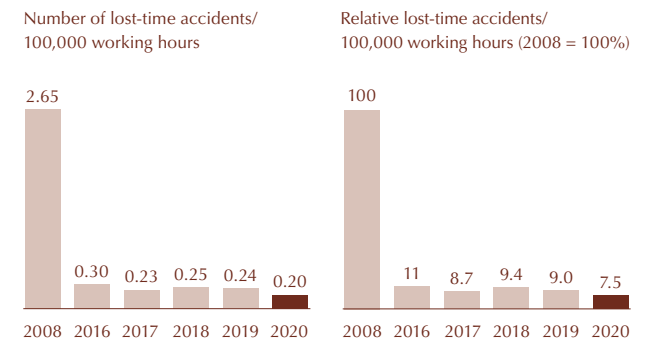
At our Ghirardelli facility, we piloted and are now actively using a behavioral safety system called “One Minute to Think”. This program aims to increase awareness of the risks involved in a job and take precautions accordingly.

Evaluation & outlook

The total number of lost-time accidents decreased to 25 in 2020 (34 in 2019). The number of lost-time days per 100,000 hours worked decreased to 4.41 in 2020 (5.05 in 2019). The number of lost-time accidents per 100,000 hours worked was reduced to 0.20 in 2020 (0.24 in 2019). We had no accidents with fatalities in 2020.

In 2021, we will start to expand activity-based risk assessments beyond our production facilities. This includes developing standardized risk-management approaches for activities such as sales and retail. Furthermore, we will develop an action plan to obtain a wider scope of data and use that with an aim to improve safety performance across all of Lindt & Sprüngli’s activities. We aim to include other facilities in our data in a stepwise approach and data from contractor staff. As part of our Lindt & Sprüngli Production Way process, we also aim to expand the roll-out of a behavioral safety system such as the “One Minute to Think” program to all of our production facilities.

Occupational accidents with lost time



Note: figures are for production companies of Lindt & Sprüngli only, including Lindt & Sprüngli Australia



Enabling and motivating working environment

We employ 40% women on senior leadership level by 2025



Progress: 37.5% in 2020 (On track)

Relevance & context

Passionate, diverse, and productive employees are a key success factor for Lindt & Sprüngli. In 2020, we had an average of 13,557 highly motivated and engaged employees working around the world to bring our premium chocolate products to consumers. Along with the valuable work they do every day to secure our operations, our employees and their commitment to our company are the best testimony for promoting Lindt & Sprüngli as an attractive employer. In this role, we are responsible for our employees and can actively shape their working environment. Our aspiration is to continuously improve as an employer, thereby addressing the increasing workplace expectations of current and future employees.

Management approach

We want to ensure that all members of the Board of Directors, Group Management, line managers, and employees demonstrate an appropriate level of professionalism that reflects the company's commitment to our core values. Our ► [Credo](#), newly established Guiding Principles (> see p. 5), ► [Business Code of Conduct](#) and Global Talent Management Workbook provide the basis for our work culture of respect, trust, and fairness and describe the values, competencies, and behaviors expected from all our employees.

These Group-wide policies are explained to new employees during their onboarding period. Our subsidiaries have various additional local policies promoting equal opportunity and measures against sexual harassment. Moreover, online and in-house training courses are offered on a regular basis.

Responsibility for managing the “Enabling and motivating working environment” focus area is split between Group Human Resources (HR) and Local HR. The corresponding action plan, including our HR roadmap and targets, is defined on a global level and adapted as well as implemented at a subsidiary level, according to the specific local contexts and employee needs. Our international HR conference serves as a platform for evaluating performance, sharing knowledge, and making decisions.

Local HR and, if needed, Group HR act as an additional contact point outside of the reporting line, accessible to all employees to express any suggestions or concerns. Some subsidiaries have also put in place formalized whistleblowing systems and policies, and we plan to roll out a global whistleblowing system in 2021. Regular consultation and engagement with our employees and their representatives ensure that due account is taken of both staff and Group Management expectations.

Within this focus area, we address the material topics “Employee satisfaction and retention”, “Employee development and training”, and “Diversity and equal opportunity”. Requirements for an enabling and motivating working environment in our supply chain are further addressed in the sections “Human rights in the supply chain” (> see p. 35) and “Rural development” (> see p. 12).

Freedom of association and collective bargaining at Lindt & Sprüngli

Regular consultation and engagement with our employees and their representatives ensure that due account is taken of both staff and Group Management expectations. This facilitates negotiations and the implementation of operational changes. Lindt & Sprüngli respects employees' rights and the freedom to form and join trade unions and bargain collectively. A total of 40% of our Lindt & Sprüngli workforce is under a collective agreement. Currently, Lindt & Sprüngli employees are collectively organized in Austria, France, Germany, Italy, Switzerland, and the US (Ghirardelli).

Proud of our recognition as an employer

Lindt & Sprüngli highly values its employees and their contribution to our culture, day-to-day business, and overall success. This is reflected in our approach to providing an enabling and motivating working environment.

It is therefore with great pride that our subsidiary Lindt & Sprüngli Germany was selected as one of the top 10 employers in several employer rankings in 2020 and took first place in the Stern & Statista 2021 rating ► [Bester Arbeitgeber Deutschlands | Lindt Deutschland](#).

Employee satisfaction & retention

By 2022: An average of 70 out of 100 points in the global employee survey, which is conducted every three years.

70/100

Progress: 70 out of 100 points in 2019 (On track)
This score is the average of the overall employee satisfaction score, the overall work engagement score and the overall score of the question “My work situation enables me to achieve a good work-life balance”, and overall salary score.

Management approach

We want to offer an attractive working environment and continue to strengthen our already high levels of employee commitment, satisfaction, and retention. We are furthermore committed to ensuring a healthy work-life balance and offering employees support to cope with increasing work-related demands.

The requirements and legal environment for employees and their working environment differ from country to country. Therefore, most of our initiatives for employee satisfaction and retention take place at the local subsidiary level based on regular input from and communication with employees. Simultaneously, Group HR creates a space for sharing experiences across subsidiaries and streamlines common initiatives.

Activities, evaluation & outlook

Our local subsidiaries organize various context-specific initiatives and activities throughout the year to contribute to fulfilling our commitment.

Healthy mind and body: Knowing how to manage one's emotions and understand personal strengths and weaknesses is critical for a healthy mind. Lindt & Sprüngli Australia introduced learning modules in 2020 with the purpose of informing employees and enhancing awareness of these issues. Lindt & Sprüngli UK again ran an eight-week-long “Learning Fest” with an external speaker to break the stigma on talking about mental health in the workplace, followed by employee-led discussion sessions.

We provided additional benefits directed at the physical health of our employees. Lindt & Sprüngli Germany introduced short online training sessions promoting exercise, relaxation, and regeneration. As a response to home-office requirements during the Covid-19 pandemic, Lindt & Sprüngli UK moved their sports classes online.

Work-life balance: The boundary between work and leisure time is becoming increasingly blurred. Finding the right work-life balance is becoming ever more relevant for many employees across our subsidiaries. In addition to remote working and flexible working hours, Lindt & Sprüngli UK and South Africa offered their employees the option to donate their time through voluntary work to give back to the community.

Regular communication: We use different communication channels to engage with our employees. Last year, our subsidiaries increased their levels of communication and strengthened existing as well as new virtual communication tools and offers. For example, Lindt & Sprüngli Spain launched Yammer as an additional communication platform for employees. Furthermore, they promoted digital events such as employee anniversaries to nurture communication when social distancing was required. In order

to connect with employees more regularly, Lindt & Sprüngli UK and USA introduced video messages, and virtual town-halls and coffee breaks, among other things.

Our main tool for measuring employee satisfaction is our Group-wide employee survey, conducted every three years. Through the survey, we gain insights into our employees' satisfaction levels and then develop measures for optimization.

Going forward, we are striving to better address the increasing expectations of current and future employees and thereby reach or surpass our target of an average score of 70 in the employee survey in 2022. Based on our newly established companywide Guiding Principles (> see p. 5), we will roll out our “Global Employer Value Proposition” project in 2021, which outlines the values and benefits of working at Lindt & Sprüngli and will support our local initiatives in working towards this goal.



Employee development & training

By 2022: 70 out of 100 points for the overall score for training and personal development opportunities in the global employee survey, which is conducted every three years

65/100

Progress: 65 out of 100 points in 2019 (On track)

Management approach

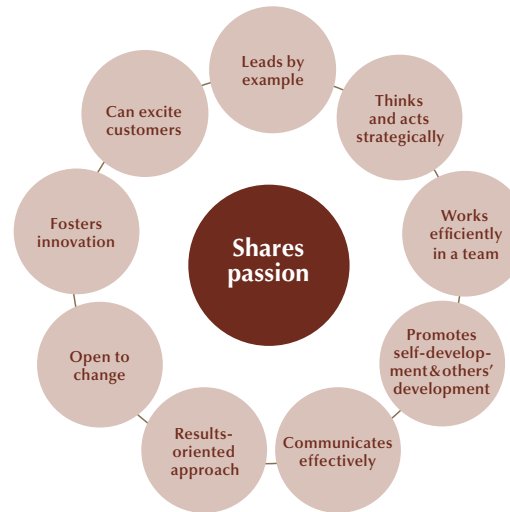
We ensure that all our positions are staffed with qualified and motivated employees and that talented candidates are developed internally to fill these positions, whenever possible and reasonable.

Our Talent Management Workbook emphasizes this, since it is our central tool for managing employee development. Our global Lindt & Sprüngli Competence Model is our guide for measuring the skills and abilities of candidates and employees as they advance along their development path. We attach great importance to training and development to acquire and retain high-performing employees.

Within our global Talent Management process, we conduct annual talent management dialogs with performance appraisals, and we have a structured succession planning process. This is how we enable managers to coordinate a pool of talent and design appropriate development plans that match employees' needs with the demands of our business.

We continue to focus on individual development plans and apply our 70-20-10 model: 70% practical experience, 20% coaching/mentoring and team building, 10% formal individualized training programs.

Lindt & Sprüngli Competence Model



Activities, evaluation & outlook

We have also implemented the following local measures:

Performance review, recognition, and development:

Lindt & Sprüngli highly values the work employees are doing every day and strives to support them in their professional development. To this aim, departments at Lindt & Sprüngli France started establishing a skills matrix for each function to identify skills gaps and organize employees' development and training plans accordingly. To improve performance recognition, our employees in the UK can now nominate their peers for the Star Award, rewarding them with a cash incentive.

Learning and training: Lindt & Sprüngli is training employees on a variety of topics, for example through Learning Management Systems (LMS). In 2020, modules relevant to the Covid-19 pandemic were added to some LMS. For example, our subsidiary in the UK conducted additional specific trainings on competition law and precision selling for relevant employees.

The integration of newly hired employees is very important to us. A good experience on the first day of work is therefore crucial. As early as during the recruitment process, the core values of the ► *Credo* and ► *Business Code of Conduct* feed into candidate assessment. HR managers at all our subsidiaries use the Lindt & Sprüngli Competence Model during the process and apply its ten criteria when assessing candidates.

As part of our training and development measures, 95% of our white-collar and 42% of our blue-collar employees received performance and career development reviews in 2020.

Going forward, we want to increase this percentage to 100% for white-collar and 80% for blue-collar employees (permanent contract) by 2022. Additionally, we want to improve our employee development and training approach by 2022 on all levels to reach 70 out of 100 points for the overall personal development score in the global employee survey. We will launch our new Global Lindt & Sprüngli Competence Model, which is based on our Guiding Principles (> see p. 5), in 2022 to improve employee development.

Diversity & equal opportunity

We employ 40% women on senior leadership⁸ level by 2025



Management approach

We are committed to offering equal opportunity, promoting employee diversity, and supporting the development and promotion of our employees. We do not tolerate any discrimination against employees or candidates on the grounds of gender, age, religion, political opinion, union affiliation, disability, national or social origin, sexual orientation, ethnicity, color or any other relevant characteristic.

We believe that all people should be treated fairly. It is our policy and practice, therefore, to ensure people enjoy equal employment opportunities (both employees and candidates). We also support and promote gender diversity and strive for age diversity in which younger and older generations actively collaborate.

Activities, evaluation & outlook

The distribution of employees in different age groups has remained balanced and stable over the past five years. The growing percentage of our workforce under the age of 30 is due in part to the ongoing Retail expansion.

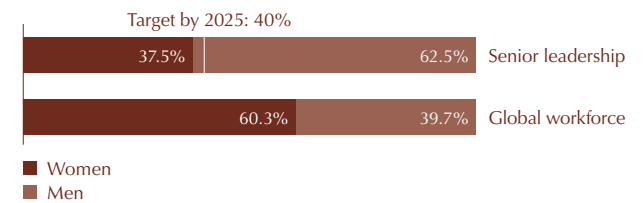
Measures implemented at our subsidiaries in the last year supported our approach towards diversity and equal opportunity. Lindt & Sprüngli UK ran an open forum to address cultural diversity, which resulted in the creation of a dedicated Diversity and Inclusion group. Additionally, the subsidiary addressed the topic during their “Learning Fest”, where learning materials on unconscious bias and

managing sensitive conversations on race were provided. Lindt & Sprüngli UK again provided awareness training for its employees in 2020. In total, employees of Lindt & Sprüngli UK received 68 hours of cultural diversity awareness training.

Women are one of the central target groups we strive to promote through our measures for diversity. As of today, around 60% of all employees at Lindt & Sprüngli are women. Our goal is to increase the percentage of women in senior leadership⁸ to 40% by 2025. In 2020, this percentage increased to 37.5% from 32% in 2019. As one measure, this target is now included in our global recruitment processes, where we require headhunters to balance the number of applicants recommended to us based on gender. In 2020, we continued to systematically examine our workforce structure and processes based on gender criteria to identify hidden barriers and development potentials for women’s career paths. Subsequent targeted action plans on a Group and subsidiary level will allow us to unlock our internal potential to achieve our goal, so they are planned for 2021. These measures will include, for example, mentoring programs to support young talents (members of the International Graduate program) in their career paths. In the

coming years, we aim to set new targets to further expand the training opportunities for our employees in such areas as education about cultural awareness, diversity, and fostering gender diversity.

Women in senior leadership⁸ 2020

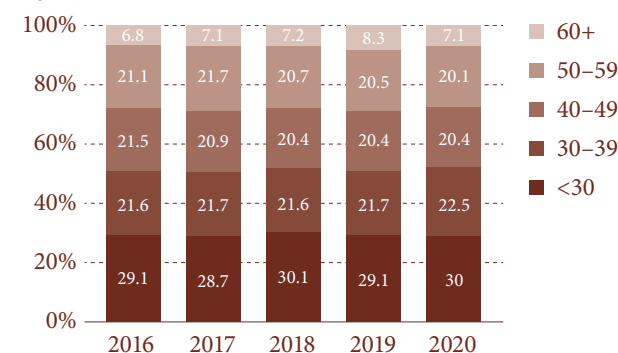


Retail Learnership Program at Lindt & Sprüngli South Africa

In 2020, Lindt & Sprüngli South Africa introduced the Retail Learnership Program to support and build the workforce of the future by offering young adults an opportunity to shape their own professional career. One of the key factors of the program is to value the diversity of South Africa. That is why Lindt & Sprüngli South Africa includes all ethnic groups represented in South Africa in this program. Thus, they can play their part in contributing to the transformation of the country.

Through the two pillars of the program, unemployed and disabled learners are supported to pursue higher education combined with a job offer at Lindt Retail. Additionally, store managers receive the opportunity to drive their retail career by means of leadership coaching and trainings on team management, project planning, and financial basics. Thereby, the Retail Learnership Program provides needs-based learning opportunities for different employees.

Age split



⁸ Senior leadership level is defined as: Group Management, CEOs/Country Managers, CFOs, VPs, positions reporting directly to Group Management (excl. assistants).



Delighting consumers



Transparent and responsible communication

We market and advertise our products according to national/international laws



Progress: Zero non-compliances with national/international marketing and communication laws in 2020 (No deviations)

Relevance & context

Consumers should be enabled to make an informed purchasing decision, in line with their needs and desires. Their choice of product is influenced by the ingredients, nutritional values or allergens and increasingly also by sustainability. Transparent and responsible communication as well as product labeling are therefore very important to Lindt & Sprüngli.

Management approach

While we adhere to national and international legislation, our policies often extend beyond what is legally required. Our global requirements are defined in our Lindt & Sprüngli Quality Guidelines and our policy on [► Responsible Marketing](#), which includes avoiding advertising to children, encouraging responsible consumption, and providing transparent nutritional information. Compliance with these documents and legal requirements is managed by International Marketing on a global level. Our local marketing and quality assurance teams are responsible for implementing and ensuring the compliance of our individual subsidiaries as well as conducting annual reviews of marketing plans. Employees involved in external communication and product labeling receive specific training related to our Quality Guidelines and Responsible Marketing Policy.

For a large proportion of our products, we emphasize major allergens in the ingredient list in bold and provide a clear warning about any traces of specific allergens they may contain. We also follow strict process requirements to avoid the inadvertent contamination of our products (> see Product quality/Product safety, p. 65). We display clear and easily understandable nutritional information and calorie guidelines on the packaging of all Lindt & Sprüngli products. Furthermore, we continuously seek to simplify the ingredient lists.

Our [► Responsible Marketing Policy](#) defines clear rules on marketing to children by committing to not launch any advertisements with children as the primary media target. In general, all TV advertising needs to be approved by International Marketing. All messaging in advertising, on packaging and on in-store materials is directed to gatekeepers. While some of our products make great gifts for children, no advertising or promotional material is being developed to appeal primarily to children under 12 years old.

To inform consumers of our sustainability initiatives and to highlight the importance of sustainably sourced high-quality beans, most of our Lindt & Sprüngli products display the logo of the [► Lindt & Sprüngli Farming Program](#), which directs consumers to seek additional information about the Program on our website. Our Farming Program is addressed further in the “Rural development” focus area (> see p. 12).

We offer many ways for consumers to learn about us and our products and to reach us with questions and feedback. These include our website with [► Frequently Asked Questions](#), feedback forms in our packaging, social media, and most notably our Consumer Service teams at all 29 subsidiaries and four regional offices. We assess our performance through regular and formal data collection, annual reviews and International Marketing Meetings, which take place three times a year.



Receiving detailed information in one click

Lindt & Sprüngli Spain incorporated QR codes on the Lindor Pick & Mix bags in Spanish retail stores. By scanning the codes, consumers receive detailed information on allergens and other product specifics such as different flavor descriptions and information on new launches.

Activities, evaluation & outlook

Last year, Lindt & Sprüngli became a signatory to the ► [EU Pledge](#), a voluntary initiative in the food sector aimed at changing the way companies advertise to children. As part of this initiative, we committed firstly, to not advertise our products in media where at least 30% of the audience are children under 12 years, and secondly, to not engage in any communication related to our products in primary and secondary schools. Additionally, Ghirardelli signed a commitment to follow the principles of ► [The Children's Food and Beverage Advertising Initiative in the United States](#).

As a member of the EU Pledge, compliance with our commitment was monitored through a third-party media audit for the first time last year. With an overall compliance rate of 97.7%, we slightly missed our own goal of zero cases of advertising to children as the primary media target in 2020. Consequently, results were shared with our subsidiaries, which will define action plans for improvement.

During 2020, 133,882 consumer contacts⁹ were recorded in our system across the Group and were processed or answered by our Consumer Service specialists. Approximately 1% of all consumer inquiries⁹ worldwide related to sustainability. Other inquiries concerned topics such as specific products, ingredients, or the quality of raw materials. Additionally, Lindt & Sprüngli USA activated a live chat to communicate directly with consumers.

We assess our performance through the regular and formal collection of data and with an annual review of relevant KPIs and their development.

Going forward, we will continue to ensure that our products are marketed according to national and/or international standards. We will strive to make information better accessible and more easily understandable to further help our consumers make responsible food and lifestyle choices. In the next year, we will strengthen our approach for tracking consumer satisfaction levels.



⁹Excluding social media post inquiries



Product quality/Product safety

We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis



Progress: Zero non-compliances with Lindt & Sprüngli quality and food safety standards in 2020 (No deviations)

Relevance & context

As a producer of premium chocolates, we are uncompromising when it comes to ensuring the quality, compliance, and safety of our products. We recognize that this is also a key expectation of our consumers, customers, and other relevant stakeholders.

Management approach

For Lindt & Sprüngli, high-quality standards and a commitment to food safety are part of our brand identity and one of the core components of our business model. Our International Operations Team manages product quality and product safety at Group level. Coordination and operational responsibilities are cascaded to our local quality assurance in subsidiaries where required.

We strive to manage key risks within production processes at our own facilities or at supplier factories. Our comprehensive quality management system is based on our own strict requirements, which meet or exceed legal regulations and standards, and is defined in our Lindt & Sprüngli Quality Guidelines. These requirements include production,

processing, storage, and distribution. Management systems for food safety (FSSC22000) and quality assurance are in place at all our production facilities except Russell Stover and Lindt & Sprüngli Australia, which are currently working on implementing systems with FSSC22000 certification.

Our requirements for key raw and packaging materials are stipulated in our product specifications and subsequently inspected. We are also working on the reduction and recyclability of our packaging (> see Waste and recycling, p. 52). All our factories undergo comprehensive (unannounced) inspections conducted either internally by Lindt & Sprüngli or externally by qualified independent partners. Furthermore, regular supplier audits are performed. This ensures that Lindt & Sprüngli's chocolate uniformly meets high-quality standards all around the world.

Lindt & Sprüngli has an established monitoring program for raw materials to detect the possible presence of pesticides and other contaminants. With the farmer trainings carried out as part of the Lindt & Sprüngli Farming Program (> see p. 18), we promote improved agricultural practices that reduce the need for pesticides in cocoa production.

Ensuring that our chocolate maintains its high quality after production and until it is delivered to our customers is of particular importance to us. Therefore, we pay special attention to transportation and storage processes, focusing on controlling humidity and temperature. The guidelines for this apply to all our own or rented warehouses for finished and semi-finished products.

Activities, evaluation & outlook

During the factory audits we conducted in 2020, zero non-compliances with regulations concerning the health and safety impacts of products and services were detected.

Furthermore, we strengthened our product crisis management process and further trained our subsidiary in Germany in product quality and product safety.

We constantly evaluate our activities to assess measures for improvement. We will continue to ensure compliance with food regulations and food safety standards required by law as well as our own guidelines. Moreover, we will strive to further increase the level of transparency in our processes in the future to improve our ability to detect potential non-compliances at all our locations. Additionally, we will aspire to respond better and more quickly to our consumers and thereby, further enhance the quality of service we deliver to them.

Lindt & Sprüngli position on GMO

Lindt & Sprüngli is not involved in any research or development associated with genetically modified foods. None of the Lindt, Caffarel, Küfferle or Hofbauer brand products source genetically modified organisms (GMO) ingredients. We will continue this practice as long as non-GMO raw materials are available. Regular tests are performed to monitor these products and ensure compliance with relevant EU and Swiss regulations. Ghirardelli is working on measures to guarantee that all its products are free from genetically modified ingredients by 2021. Since the end of 2019, only a very minor percentage of toppings include GMO ingredients. Russell Stover is currently not planning to switch to non-GMO products.



Sustainability approach

Governance

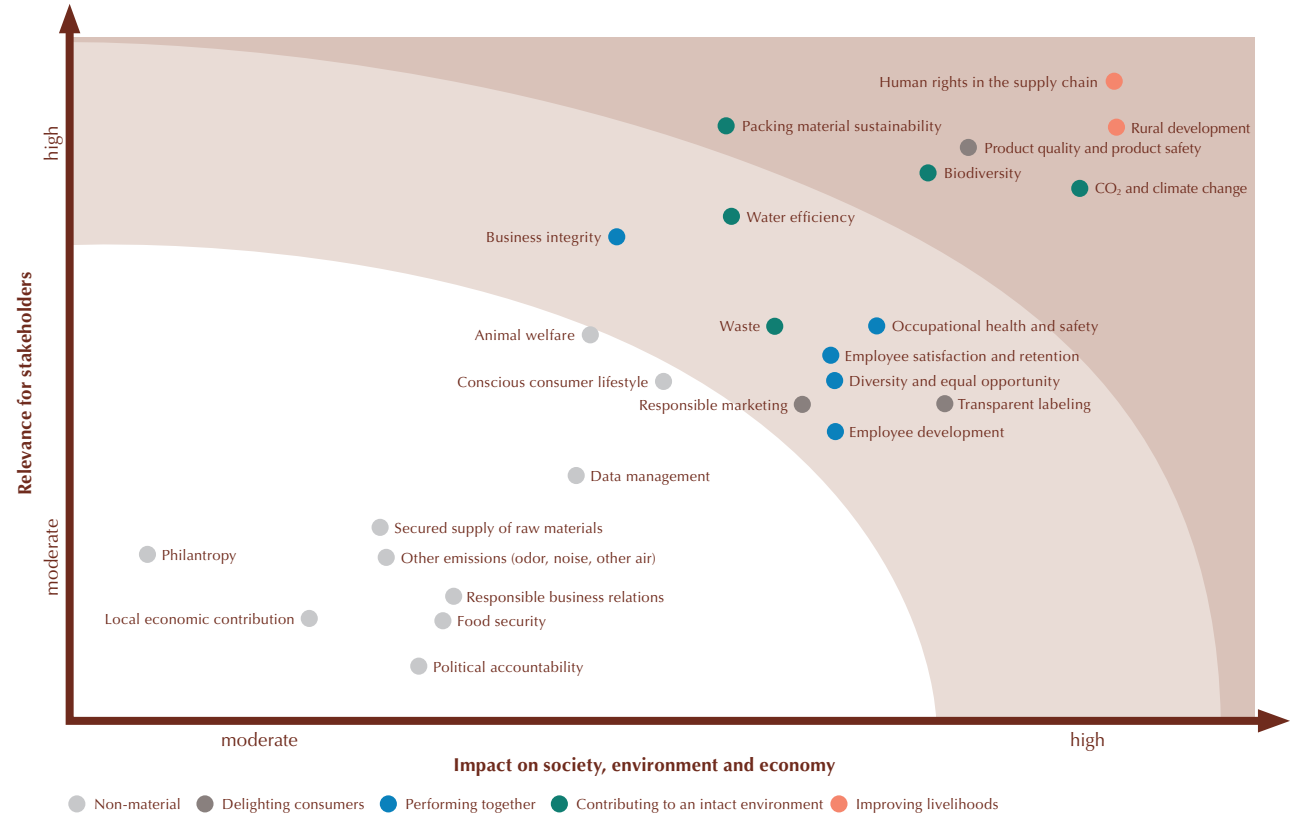
At Lindt & Sprüngli, all issues related to sustainability are dealt with by the highest level of management. Our Corporate Sustainability Committee of the Board consists of three members of the Board of Directors. It supports the Board of Directors in setting the strategic course for company activities, while promoting comprehensive sustainability management. The Committee is responsible for the development and adoption of all globally valid corporate policies in this area as well as compliance monitoring. It meets as often as required, but at least once a year. Group Management, represented by the CFO, is responsible for ensuring that the strategic decisions are implemented. The cross-functional Sustainability Executive Team, coordinated by the Sustainability Management department, meets every two to three months and is responsible for steering the implementation of the Lindt & Sprüngli Sustainability Plan and local adherence to associated policies across corporate functions and subsidiaries. Furthermore, each Lindt & Sprüngli subsidiary has one Sustainability Representative to ensure end-to-end communication between the Group and the respective subsidiary, in addition to staff responsible for integrating sustainability throughout the business.

Lindt & Sprüngli sustainability governance
















Materiality process

We periodically undertake a materiality process to identify and validate the issues which have the most relevance to our stakeholders as well as the highest impact on the environment, society and the economy. Our most recent materiality analysis was conducted in 2018 using a broad range of internal and external inputs, including direct exchanges with our stakeholders, scientific papers, NGO reports, and investor, media and consumer inquiries. We further evaluated the scale, scope and remediability of potential impacts of our business activities. The resulting 15 material topics, grouped into focus areas and four purposes, inform our Lindt & Sprüngli Sustainability Plan and the content of our reporting.



Mapping of material topics to focus areas

Material topic	Allocated focus area	Purpose	Relevant impacts along the value chain		
			Supply chain	Production	Customer/consumer
Rural development	Rural development				
Human rights in the supply chain	Human rights in the supply chain				
Biodiversity	Biodiversity and ecosystems				
CO ₂ and climate change	CO ₂ and climate				
Water efficiency	Water				
Waste	Waste and recycling				
Packaging material sustainability	Waste and recycling				
Business integrity	Business integrity				
Occupational health and safety	Occupational health and safety				
Employee satisfaction and retention	Enabling and motivating working environment				
Employee development	Enabling and motivating working environment				
Diversity and equal opportunity	Enabling and motivating working environment				
Transparent labeling	Transparent and responsible communication				
Responsible marketing	Transparent and responsible communication				
Product quality and product safety	Product quality/Product safety				

Impacts related to the material topic that occur in the considered value chain stage are managed...



... in the allocated focus area



... in a different focus area than the one the material topic is allocated to



Improving livelihoods



Contributing to an intact environment



Performing together



Delighting consumers

Our contribution to the Sustainable Development Goals

The United Nations Sustainable Development Goals (UN SDGs) set the global context for sustainable development until 2030. We recognize our impact on these goals through our own activities, our supply chain activities, and our engagement in the communities in which we work. Below, we have mapped how

Lindt & Sprüngli impacts and contributes to the 17 SDGs through all its activities. On the next page, we further highlight the SDGs which are most closely linked to the Lindt & Sprüngli Farming Program, given its significant contribution to these goals.

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Rural development	✓	✓		✓		✓		✓				✓			✓		
Human rights in the supply chain	✓		✓	✓				✓		✓		✓			✓	✓	
Biodiversity and ecosystems	✓											✓	✓		✓		
CO ₂ and climate							✓					✓	✓				
Water						✓						✓					
Waste and recycling												✓			✓		
Business integrity																✓	
Occupational health and safety			✓					✓									
Enabling and motivating working environment			✓	✓	✓			✓		✓							
Transparent and responsible communication																	
Product quality/ Product safety			✓														

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



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

- Promote sustainable economic growth by addressing root causes of poverty
- Increase net income, employment opportunities, profitability of cocoa cultivation



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

- Improve knowledge of balanced diets through nutritional training for farming households
- Support knowledge on how to efficiently use farmland, achieve greater self-sufficiency and income diversification through agricultural training and coaching sessions and distribution of seeds and seedlings



SDG 4 Quality education: Promote access to education for children

- Invest in the renovation of primary schools for better access to education for children



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

- Improve access to drinking water and promote sustainable water management by building water supply systems, conducting training sessions on water, sanitation and hygiene, distributing drinking water filters and promoting agroforestry cultivation systems



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

- Support decent work for all and strive to prevent, monitor and abolish child labor in at-risk countries
- Promote sustainable economic growth and improve livelihoods of farming households



SDG 12 Responsible consumption and production: Ensure sustainable consumption and production patterns

- Promote sustainable management and efficient use of natural resources



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

- Support sustainable intensification of agriculture through training and coaching of farmers
- Promote climate-smart farming methods and agroforestry
- Contribute to the preservation of natural ecosystems and prevent further clearing of high conservation value forest areas for cocoa cultivation through implementation of the [► No-Deforestation & Agroforestry Action Plan](#) and participation in landscape projects

Stakeholder approach

Stakeholder involvement is a central element of our approach. We maintain open dialog and work collaboratively with our stakeholders to find solutions for sustainability.

Stakeholder	Lindt & Sprüngli approach
Consumers	Consumers require information regarding ingredients, origin of raw materials and sustainability. Conscious consumption and a healthy lifestyle are further trends moving our consumers. Consumer service specialists at the Lindt & Sprüngli Group handle each inquiry, compliment, and complaint that is received with the necessary care. Consumers can also get in touch with our employees directly at the growing number of Lindt and Ghirardelli retail shops. We also have a presence on various social media platforms such as Facebook and Twitter, which allows direct interaction with consumers.
Employees	Employees are our biggest asset. Providing a healthy and safe working environment for all our staff is of utmost importance to the company. Other relevant topics in this area include training and development, diversity and equal opportunity. We promote a feedback culture where open and honest dialog is always welcome, for which we maintain various communication channels and dialog platforms. Our annual Talent Management dialog helps to identify, assess, and develop the professional skills and performances of our employees. We conduct an employee survey every three years across the entire Group.
Investors	We provide investors, analysts, and proxy advisors with our half-year and annual results and other relevant company information such as the Sustainability Report. The annual general meeting provides a forum for exchanging information and opinions, as do smaller conferences and telephone conversations with financial analysts, roadshows, and personal meetings. We also participate in some of the major environmental, social and governance ratings of analysts and investors.
Civil society organizations and NGOs	The Sustainability Manager is the main contact point for civil society organizations and NGOs. This person maintains ongoing one-on-one dialog with a view to showcasing our sustainability work, asking for feedback, taking on board suggestions and criticism, and assessing the potential for partnerships.
Farmers and suppliers	Consistently high quality of raw materials and packaging, reliable transport and logistics, the development, supply, and maintenance of machinery, and provision of support services are all crucial for our business. Lindt & Sprüngli procurement and other staff are regularly in touch with our supply chain partners. We follow a partnership approach to supplier development so that both parties can continuously improve.

Stakeholder	Lindt & Sprüngli approach
Universities/Research institutions	We work with various universities and research institutions. We support existing research facilities and projects, help develop new applied science projects, and support select students with academic assignments involving research topics of relevance to us.
Retail/Distributors/Customers	Buyers of semi-finished Lindt & Sprüngli chocolate products, as well as retailers, distributors, and other corporate customers of finished products ensure our products are available to consumers. They have their channel-specific customer service representatives at their respective subsidiaries to handle inquiries and concerns professionally. Lindt & Sprüngli brands are also represented at trade fairs and other events so that partners can discover our latest creations for themselves.
Governments	Lindt & Sprüngli does not actively lobby governments. However, Group companies are members of several local industry associations which may lobby on behalf of their members. Governments are increasingly setting new laws and regulations relating to environmental protection, social standards, human rights and non-financial disclosures in addition to becoming increasingly important advisors and supporters of sustainability projects.
Media	We proactively inform the media about relevant issues to ensure that the public image of Lindt & Sprüngli is both exemplary and accurate. Our communication with the media is honest, fact-based, and transparent – while respecting any business secrets. We publish reports and press releases regarding our half-year and annual results, as well as press releases on any other business-related matters such as media events, annual general meetings, and on-site visits, and answer questions from the media.

Key performance indicators

Indicator	Unit	Scope	2018	2019	2020	Page
Improving livelihoods						
Rural development						
Cocoa (beans, powder, butter & chocolate) sourced through sustainability programs	%	^a	48	56	63	p. 12
Cocoa beans sourced traceable and verified	%	^b	86	92	100	p. 16
Field staff in the Farming Program	no.	^b	442	434	443	p. 19
Farmers in the Farming Program (whereof women)	no. (%)	^b	72,528 (28)	78,425 (29)	79,979 (30)	p. 19
Investments by Lindt & Sprüngli into Farming Program since 2008	mUSD	^b	29	37	47	p. 19
Annual investments by Lindt & Sprüngli in Farming Program	mUSD	^b	11	8	10	p. 19
Model farms in the Farming Program	no.	^b	52	159	158	p. 19
Cocoa seedlings distributed in the Farming Program since 2008	m	^b	3.4	5.7	6.0	p. 19
Permanent shade trees distributed in the Farming Program since 2008	m	^b	0.9	1.3	1.9	p. 19
Drinking water systems built and functioning (boreholes and larger systems) in the Farming Program since 2008 (benefitting community members)	no.	^b	211	215	213	p. 19
Schools refurbished in the Farming Program since 2008 (benefitting number of children)	no.	^b	1	29 (3,034)	33 (4,862)	p. 19
Farmers in the Farming Program trained in additional income-generating activities since 2008	no.	^b		16,964	21,883	p. 19
Farmers in the Farming Program started with additional income-generating activities since 2008	no.	^b		6,242	10,961	p. 19
Community members participating in a Village Savings and Loan Associations (VSLAs) or equivalent in the Farming Program	no.	^b		1,567	3,014	p. 19

Indicator	Unit	Scope	2018	2019	2020	Page
Human rights in the supply chain						
Farmers of cocoa beans in child labor risk countries covered by a Child Labor Monitoring and Remediation System (CLMRS)	%	^b		100	100	p. 21
Child labor cases identified within CLMRS (whereof cases related to Program farmers)	no. (no.)	^b		12 (3)	96 (42)	p. 21
Child labor cases remediated (including cases not related to Program farmers)	%	^b		100	97	p. 21
Sustainable sourcing						
Average EcoVadis sustainability assessment score of Lindt & Sprüngli suppliers	score	^c			51.6/100	p. 37
Cocoa (beans, powder, butter & chocolate) sourced through sustainability programs	%	^a	48	56	63	p. 38
Cocoa beans sourced traceable and verified	%	^b	86	92	100	p. 38
Cocoa butter sourced traceable/segregated and verified	%	^d	15	27	33	p. 38
Turkish raw (unprocessed) hazelnuts sourced through sustainability programs	%	^c	88	98	100	p. 39
Palm oil/palm kernel oil sourced RSPO certified	%	^c	100	100	100	p. 40
Soy lecithin sourced ProTerra certified (including Russell Stover)	% %	^e ^c		100 (99)	100 (99)	p. 40
Eggs sourced cage-free (or at a higher standard) (including Russell Stover)	% %	^f ^c		91 (68)	100 (71)	p. 40
Procurement expenditure for packaging material from Asian factories covered by a sustainability program	%	^g	93	89	93	p. 41

^aCocoa (beans, powder, butter & chocolate)

^bCocoa beans

^cLindt & Sprüngli production sites

^dCocoa butter

^eLindt & Sprüngli production sites (excl. Russell Stover)

^fLindt & Sprüngli production sites, and Lindt & Sprüngli Australia (excl. Russell Stover)

^gPackaging materials from Asia

Wherever blank, data not yet tracked in reporting year. Lindt & Sprüngli Farming Program indicators are reported by cocoa season, not by calendar year (apart from investments).

Indicator	Unit	Scope	2018	2019	2020	Page
Contributing to an intact environment						
Biodiversity and ecosystems						
Cocoa (in volume ^a) sourced from farms proven not to be located in protected areas as per local laws	%	a		47	60	p. 44
Cocoa (in volume ^a) sourced from farmers covered by a “No-Deforestation & Agroforestry Action Plan”	%	a		56	63	p. 44
Cocoa (in volume ^a) sourced from farmers covered by a fully implemented “No-Deforestation & Agroforestry Action Plan”	%	a		0	0	p. 44
Permanent shade trees distributed through sustainable cocoa-sourcing programs since 2008	m	a	0.9	1.4	2.3	p. 44
CO₂ and climate						
Absolute Scope 1 and Scope 2 greenhouse gas emissions	1,000t	c	118	113	101	p. 49
Reduction of greenhouse gas emissions in the production process since 2015, per ton produced (related to Scope 1 and 2)	%	c	9	14	21	p. 49
Absolute energy consumption	GWh	c	507	507	502	p. 49
Reduction of energy use in the production process since 2015, per ton produced	%	c	8	8	8	p. 49
Share of renewable electricity	%	c	36	39	39	p. 49
Water						
Absolute municipal water consumption	1,000 m ³	c	767	743	677	p. 51
Reduction of municipal water used in the production process since 2015, per ton produced	%	c	13	10	22	p. 51
Waste and recycling						
Semi-finished product waste in the production process, per ton produced (excluding destruction of finished goods)	%	c	1.3	1.3	1.3	p. 52
Reduction of semi-finished product waste in the production process since 2015, per ton produced (excluding destruction of finished goods)	%	c	32	32	32	p. 52
Tons of packaging (includes Consumer, transport and display packaging – excludes Russel Stover)	tons	e			92,305	p. 54
Packaging recyclable or reusable	%	e			86	p. 53
Virgin plastic used in packaging	%	e			10	p. 53
Packaging made from recycled materials	%	e			45	p. 53

Indicator	Unit	Scope	2018	2019	2020	Page
Performing together						
Occupational health and safety						
Lost-time accidents	no.	h	36	34	25	p. 57
Lost-time accidents per 100,000 working hours	no.	h	0.25	0.24	0.20	p. 57
Relative lost-time accidents per 100,000 working hours (2008 = 100%)	%	h	9.4	9.0	7.5	p. 57
Days lost per 100,000 working hours due to lost-time accidents	no.	h	6.11	5.05	4.41	p. 57
Fatalities	no.	h	0	0	0	p. 57
Enabling and motivating working environment						
Women in senior leadership	%	i	31.0	30.0	37.5	p. 61
Average score in the category “Employee satisfaction and retention” in the global employee survey	score	i		70/100 ²		p. 59
Average score in the category “Training and personal development” in the global employee survey	score	i		65/100 ²		p. 60
White-collar employees receiving regular performance and career development reviews	%	i		92	95	p. 60
Blue-collar employees (permanent contract) receiving regular performance and career development reviews	%	i		53	53	p. 60
Delighting consumers						
Transparent and responsible communication						
Incidents of non-compliance concerning national/international marketing and communication laws in 2020	no.	i	0	0	0	p. 63
Product quality/Product safety						
Incidents of non-compliance concerning the health and safety impacts of products and services	no.	i	0	0	0	p. 65

^a Cocoa (beans, powder, butter & chocolate)

^c Lindt & Sprüngli production sites

^e Lindt & Sprüngli production sites (excl. Russell Stover)

^h Lindt & Sprüngli production sites, and Lindt & Sprüngli Australia

ⁱ Lindt & Sprüngli Group

Wherever blank, data not yet tracked in reporting year. Lindt & Sprüngli Farming Program indicators are reported by cocoa season, not by calendar year (apart from investments).

¹ Bean equivalents of all cocoa sourcing (beans, butter, powder, finished chocolate) according to ICCO conversion rates

² Survey conducted every three years, most recent survey conducted in 2019

About this report

This Sustainability Report is Lindt & Sprüngli's 11th progress report relating to the ten principles of the UN Global Compact and the six UN Global Compact Food and Agriculture Business Principles (FAB).

This Sustainability Report provides stakeholders with information about the goals that Lindt & Sprüngli has set, the measures we introduced, and the progress achieved. It covers the period from January 1, 2020, to December 31, 2020. Unless otherwise stated, all facts and figures are correct as of December 31, 2020, and relate to the Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caf-farel, Hofbauer, and Küfferle brands of the Lindt & Sprüngli Group. Unless otherwise stated, the facts and figures also relate to all production, distribution, and marketing sites, as well as regional Lindt & Sprüngli offices. This Sustainability Report was written with due regard to the principle of materiality in terms of the issues addressed and the expectations of the various stakeholders.

Date of publication

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The expectations expressed in this Sustainability Report are based on assumptions. Actual results may vary from these.

The ten principles of the UN Global Compact	Relevant company guidelines	Report reference
1. Companies should support and respect the protection of internationally proclaimed human rights.	Credo	pp. 6–10, 19, 21, 35–41, 68–74
2. Companies should make sure that they are not complicit in human rights abuses.	The Lindt & Sprüngli Promise Business Code of Conduct Health & Safety Policy Supplier Code of Conduct	
3. Companies should uphold the freedom of association and recognition of the right to collective bargaining.	Credo	pp. 6–10, 18–21, 35–41, 58–61, 68–74
4. Companies should work toward the elimination of all forms of forced and compulsory labor.	The Lindt & Sprüngli Promise Business Code of Conduct Health & Safety Policy	
5. Companies should work toward the effective abolition of child labor.	Supplier Code of Conduct	
6. Companies should work toward the elimination of discrimination in respect of employment and occupation.		
7. Companies should support a precautionary approach to environmental challenges.	Credo	pp. 6–10, 18, 20, 43–54, 68–74
8. Companies should undertake initiatives to promote greater environmental responsibility.	The Lindt & Sprüngli Promise Environmental Policy	
9. Companies should encourage the development and diffusion of environmentally friendly technologies.	Supplier Code of Conduct	
10. Companies should work against corruption in all its forms, including extortion and bribery.	Business Code of Conduct Supplier Code of Conduct	pp. 6–10, 56, 58, 68–74

Global Compact Food and Agriculture Business Principles (FAB)	Report reference
The company pursues food safety, health, and nutrition.	pp. 6–10, 12–41, 65
The company is environmentally responsible.	pp. 6–10, 43–54
The company ensures economic viability and shares value.	pp. 6–10, 12–41
The company respects human rights, creates decent work, and helps communities to thrive.	pp. 6–10, 12–41, 58–61
The company encourages good governance and accountability.	pp. 6–10, 56, 67
The company promotes access to and the transfer of knowledge, skills, and technologies.	pp. 6–10, 12–41

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

We welcome feedback on its contents.