

OUR PATHWAY TO SUSTAINABLE

# CHOCOLATE

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# OUR RESPONSIBILITY FOR A SUSTAINABLE FUTURE

Where exactly does our responsibility begin? Does it begin with our employees, to whom we offer a safe working environment and a challenging job with room for personal development? With our more than 2,500 chocolate products, which reflect our commitment to quality and product safety?

Does it begin with the cocoa bean, the heart of our chocolate, grown by cocoa farmers in our five countries of origin? With the more than 80,000 cocoa farmers whose livelihoods, together with those of their families, we support through targeted and long-term assistance under the Lindt & Sprüngli Farming Program? With our environment and our communities, which we treat with the utmost care and respect?

With the suppliers, without whose global logistics networks the transport of

our raw materials and products would not be feasible? With our many partners along the value chain in production and retail trade? Partners involved in the production, packaging and sale of our products, with whom we have a long-standing and successful collaboration?

With our consumers, whom we provide with transparent and comprehensive information and outstanding service in our 500 shops?

The challenge of taking responsibility that we as a company face is not an easy one. We are well aware of this. At Lindt & Sprüngli, we feel that we have a commitment to our stakeholders and a duty to protect our environment. We strive to be guided in our actions by fairness, transparency and sustainability. Together with our global partners,

we have already achieved a lot and overcome many hurdles, yet in many areas we are only just beginning to build a sustainable future for chocolate.

2020 has made clear to all of us how closely interlinked our global society, health, economy and ecology are, and how quickly everything can be thrown off balance. At this moment in history, we have the opportunity to make a difference by implementing our sustainability goals – now and for future generations.



*"Sustainability is a key component of our company's DNA."*

# OUR GOAL: SUSTAINABLE CHOCOLATE

Sustainability plays a key role at Lindt&Sprüngli. For us, economic success, environmental protection and social responsibility go hand in hand. The Lindt&Sprüngli Sustainability Plan sets out our comprehensive commitments for a better tomorrow.

Sustainability and responsibility are thus firmly embedded in our company Credo, our Values and our Mission. In the production of our premium products, we combine our high quality standards with equally high ethical and sustainability standards.

Our wide-ranging sustainability activities present us with numerous social, environmental and economic challenges. Our goal is to create long-term and sustainable income opportunities and livelihoods for all those involved in the cultivation, trading and processing of cocoa. For the cocoa farmers in the growing regions, cocoa is an important source of income, and for us as a company, cocoa is and remains an essential raw material whose high quality and future availability we have to safeguard.

In 2020, we reached our first major milestone: 100% of our cocoa beans are traceable and externally verified. For us, however, this is just the beginning of our sustainability efforts, as in the long term we would like to implement sustainability along the entire value chain.

## GUIDING PRINCIPLES

### OUR PURPOSE

"We enchant the world with chocolate"

### 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

Excellence – Innovation – Entrepreneurship –  
Responsibility – Collaboration

### 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.







# THE LINDT & SPRÜNGLI SUSTAINABILITY PLAN

## OUR COMMITMENT FOR A BETTER TOMORROW

### Our promise

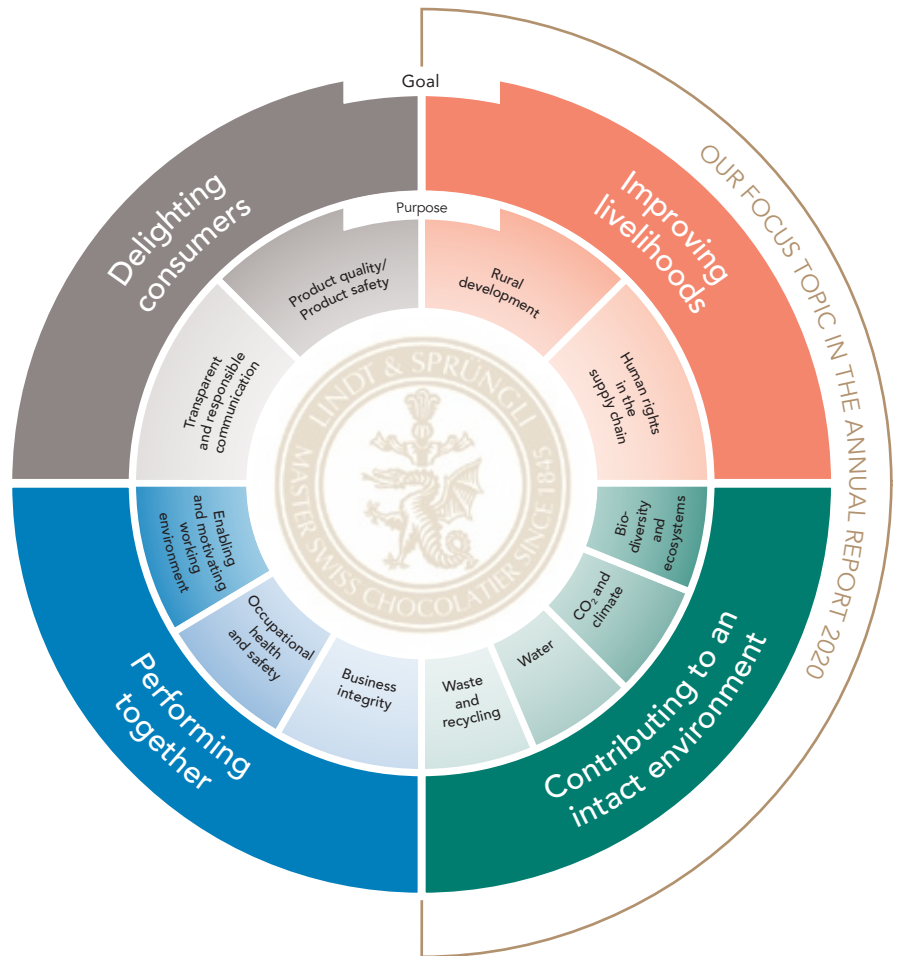
"All products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain."

### Our strategy

The Lindt & Sprüngli Sustainability Plan is based on our promise and on the company Credo. It is our strategy and the key tool for implementing sustainability along the entire value chain, from purchasing and production through to consumption. In the Sustainability Plan we focus on those areas that are of greatest relevance for our stakeholders and have the greatest impact on the environment and society.

### Our goals

Four core goals form the overarching framework of the Sustainability Plan. We aim to improve the livelihoods of the farmers in the countries of origin, to contribute to an intact environment, to promote successful cooperation within the company, and to delight our consumers.



*"For more than 175 years, our day-to-day actions have been shaped by our respect for and responsibility towards people and the environment."*

# OUR GOALS

The Lindt&Sprüngli Sustainability Plan demonstrates our commitment to a more sustainable future and our desire to create long-term added value for society, the environment and the economy together with our global partners. We aim to use our holistic strategy to achieve a positive influence on the sustainable development of the company and to reduce negative influences along the entire value chain as far as possible. In the Sustainability Plan, we focus on the social and environmental issues which are most severely affected by our business activities and on which we can have the greatest possible impact. From a business perspective, this

not only reduces operational risks and increases employee engagement, but also secures the long-term supply of our high-quality key raw materials and consolidates the economic sustainability of the company.

On the following pages, we set out how we are implementing measures under our Lindt&Sprüngli Farming Program in the areas of "Improving livelihoods" and "Contributing to an intact environment" in our cocoa origins in order to fulfill our main commitments.

## GOALS WITH MAIN COMMITMENTS

### "DELIGHTING CONSUMERS"

#### Main commitments:

"Our products are marketed and advertised in accordance with national / international law."  
 "We comply with Lindt&Sprüngli quality and food safety standards on an ongoing basis."

### "IMPROVING LIVELIHOODS"

#### Main commitments:

"By 2025, 100% of cocoa will be sourced through sustainability programs."  
 "By 2025, over 80% of procurement expenditure for raw and packaging materials bearing significant sustainability risks will be covered by a sustainable sourcing program."

### "PERFORMING TOGETHER"

#### Main commitments:

"We are not participating in any corrupt or anti-competitive behavior."  
 "We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents."  
 "40% women on senior leadership levels by 2025."

### "CONTRIBUTING TO AN INTACT ENVIRONMENT"

#### Main commitments:

"Deforestation-free cocoa by 2025."  
 "10% reduction of greenhouse gas emissions in the production process by 2020, per ton produced." (Base year 2015 = 100%)  
 ✓ Goal achieved  
 "10% reduction of municipal water used in the production process by 2020, per ton produced." (Base year 2015 = 100%)  
 ✓ Goal achieved  
 "50% reduction of chocolate waste in the production process by 2025, per ton produced." (Base year 2015 = 100%)  
 The new targets in this area will be published in the 2020 Sustainability Report in Spring 2021.

# BEAN-TO-BAR

## **Our philosophy: chocolate production from bean-to-bar**

When it comes to sustainable cocoa cultivation, it is always crucial to know where the beans come from, under what conditions they were grown locally, and how they were harvested. For us as a premium chocolate manufacturer processing chocolate ourselves, from the bean to the finished product, sustainability always starts at the very beginning, i.e. in the cocoa bean origins.

The selection of the cocoa beans is critical in the development of our high-quality chocolate recipes. Our special bean blends, based on long years of experience, and their consistently high quality make our chocolate so unique. It is therefore imperative that we know exactly where the cocoa beans come from. And so it is only logical that we systematically establish the traceability of our most important raw material and trace our cocoa bean supply chain back to its origin. We are one of the few chocolate makers that produce from bean to bar. We as a company therefore have expertise along the entire value chain – from the selection and careful processing of the cocoa beans and high-quality ingredients to the finished chocolate product. We see this as the key requirement for establishing a sustainable and traceable cocoa bean supply chain – a task which we do not want to delegate to others to implement sustainability directly and efficiently.\*

\*An exception is our subsidiary Russell Stover, which buys chocolate and chocolate products.



We follow the traceability approach "Identity Preserved". This highest level of traceability guarantees that the cocoa beans in our program are always processed and transported physically separated from all other beans and are fully traceable to their origin.



# THE LINDT & SPRÜNGLI BEAN-TO-BAR APPROACH



1.

After harvesting, the cocoa beans are fermented and dried in the country of origin. The farmers participating in the Lindt & Sprüngli Farming Program are registered in a database with their name, farm location, and various basic data. When cocoa beans are purchased, checks are made to ensure that only beans from Program farmers are bought, and the volume purchased is recorded.

2.

The cocoa beans are packed in bags and clearly labelled. In Ghana, for example, with a tag with a barcode. This enables our partners who buy and transport the cocoa beans for us to clearly allocate the beans to the production volume of the Farming Program and trace them back to each individual farmer registered in the Program.

For us, traceability begins on the cocoa farm and does not end until the beans reach our production sites. We select only cocoa beans from countries and farmers which are part of our own sustainable sourcing 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 built up extensive expertise, in areas ranging from the selection of high-quality beans and technological know-how in the processing of our own cocoa mass to chocolate production at our own factories. This is a differentiating feature that still distinguishes us as a premium manufacturer today.

3.

In order to guarantee the highest level of traceability, “Identity Preserved”, our partners always store and transport Program beans separately from all other beans.

4.

Prior to shipment, while they are still in the port in the country of origin, the cocoa beans undergo a quality control. The cocoa beans are loaded into containers which are used solely for transporting beans from our Program.

5.

Each delivery of cocoa beans is accompanied by a traceability certificate, which is issued in the country of origin and sent to Lindt & Sprüngli when the goods are received. The document records, among other things, the production volumes of the farmers.

6.

The cocoa beans are transported by ship to the destination ports in Europe and the USA. After arrival, they undergo a quality control again. We accept the goods only if they meet our specifications.



## 11.

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



## 12.

The cocoa mass is transported to our production sites.



## 10.

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



## 9.

The cocoa beans are cracked open and the shell 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 ISO 22000. The accompanying traceability certificate gives us precise information on the origin of the cocoa beans and the volume delivered.



### AT THIS POINT, THE CONVENTIONAL CHOCOLATE MANUFACTURING PROCESS BEGINS.

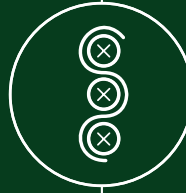
## 13.

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.

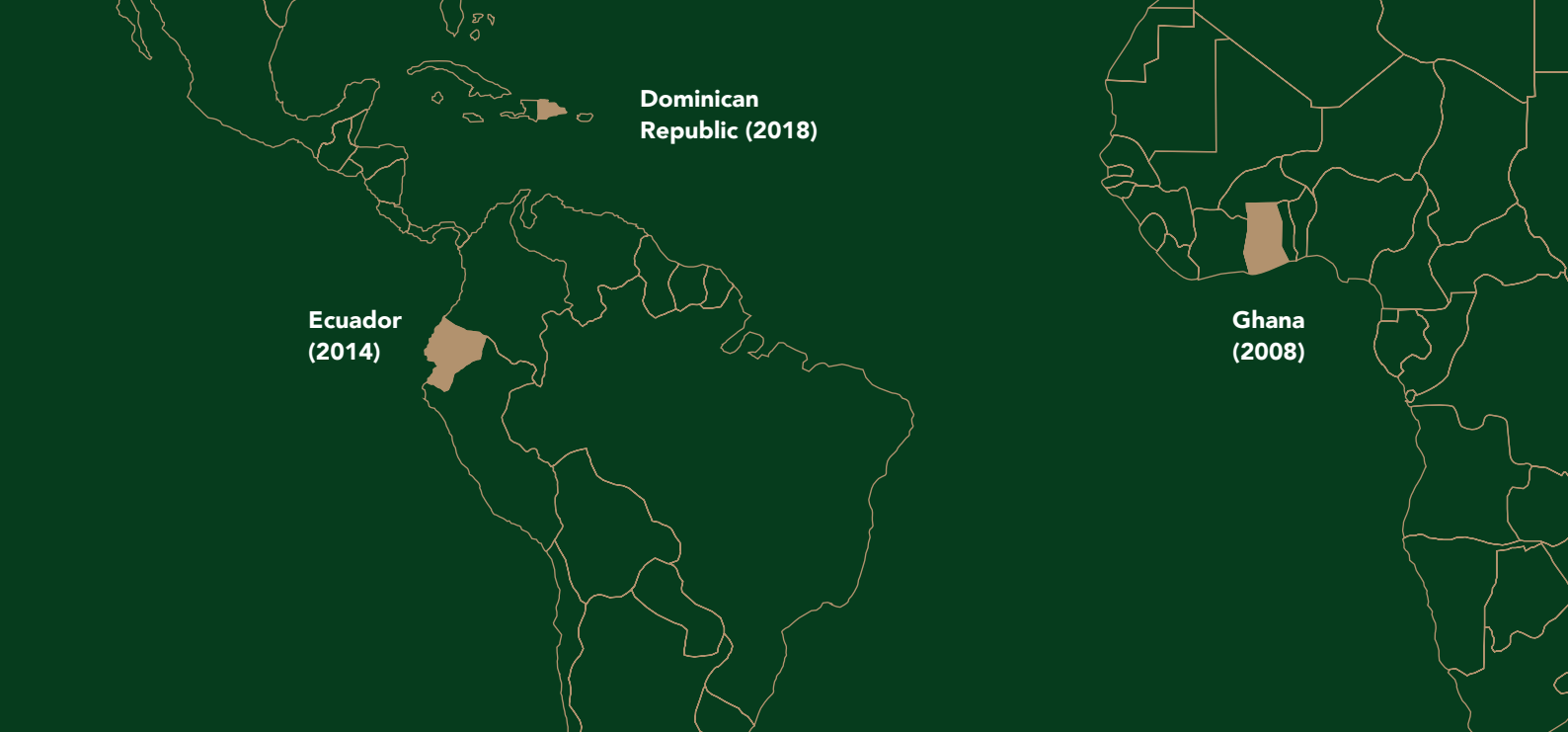
Then comes the important step – conching.



## 16.

The chocolate mass is formed or processed further.





Ecuador  
(2014)

Dominican  
Republic (2018)

Ghana  
(2008)

# LOCAL SOLUTIONS TO GLOBAL CHALLENGES

Chocolate manufacturers worldwide are faced daily with a whole range of complex challenges in the countries of origin of their cocoa. These range from basic human rights issues and the challenge for cocoa farming households to create 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 and deforestation. Combating these is essential. However, genuine change can be achieved only through a coordinated and integrated approach by all actors in the cocoa-growing countries. Many of the problems are system-imminent and call for different solutions for each country regarding the economic, social and infrastructural aspects of cocoa production. Local solutions are needed in order to actively combat these problem areas and to support farmers on the pathway to more sustainable and more productive farming methods.

## **COCOA OFTEN INSUFFICIENT AS A SOLE SOURCE OF INCOME**

Cocoa grows in what is called the cocoa belt, where the climatic conditions are right for cultivating it. Cocoa is the main source of income for almost six million cocoa farmers<sup>1</sup> worldwide. It is often grown in developing countries, which have numerous structural problems to cope with.

Today, over 74% of global production is concentrated in West Africa<sup>2</sup>. The greatest challenge in the growing countries is structural poverty, particularly in rural regions. A net income that provides a living income is therefore the crucial starting point for finding a long-term solution to the diverse problems.

90 to 95% of the almost six million cocoa farmers live in developing countries and have only small cultivation areas of between one and five hectares<sup>3</sup>. In addition, they struggle with low yields due to a lack of cultivation expertise, ageing trees and depleted soils. They often have limited additional sources of income besides cocoa cultivation, which makes it difficult to secure a stable and adequate basic income. Fluctuations in world market prices on the commodity market also have an impact on income levels. National institutions in West Africa set the guaranteed farm-gate price paid to farmers, which is based on world market prices, once or twice a year. Besides the price risk, the farmers have to deal with risks such as climate change, adverse weather conditions, pests and diseases, against which they are scarcely able to insure themselves and which may also impact their income.





The low levels of income may lead to social problems such as poverty and child labor in the growing countries. In West Africa, in particular, where two thirds of the world's cocoa is produced, the living and working conditions of cocoa farmers are often very difficult.

#### **DEFORESTATION AND LOSS OF BIODIVERSITY**

Intact ecosystems are vital in order for agriculture to flourish. Deforestation, the establishment of monocultures and the incorrect or over-intensive use of chemical pesticides are having a serious impact on the ecosystems in all growing countries. Over the years, the expansion of areas used for cocoa cultivation has caused much environmental damage and now threatens the quality and quantity of habitats for humans, flora and fauna. Large-scale logging of tropical forests for the sale of tropical timber and agricultural use by the rapidly growing population is also reducing biodiversity. But deforestation also threatens the livelihoods of the farmers, as the forests stabilize the microclimate and capture urgently needed rain. Moreover, the conversion of rainforest areas into agricultural land, which has until now been widespread, contributes to the intensification of climate change.

#### **INFRASTRUCTURE CHALLENGES**

The remoteness of many cocoa farms, particularly in West Africa, makes life even more difficult for the farmers. The long transport routes and difficult road conditions hinder access to markets and public goods. However, access to the capital market and partially outdated land laws also pose challenges for the farmers. In addition, the children's future career prospects are limited by the lack of good-quality schools and poor access to education. Even access to clean drinking water is often not guaranteed. The same applies to the widespread lack of healthcare provision for the cocoa farmers and their communities. Access to water is often very time-con-

suming and reduces the time available to households for income generation. Moreover, contaminated drinking water can cause serious diseases.

#### **LACK OF MARKET POWER**

Most cocoa farmers are not organized and as individual farmers are in a poor negotiating position compared to the local buyers. In addition, they also have little influence with the state-regulated institutions in major growing countries, such as for example Ghana. Furthermore, the trading and supply chain to the chocolate manufacturer is very complex. The individual farmers sell their cocoa harvest to local intermediaries, who supply the beans to large exporters, who ultimately sell them to the manufacturers. Consequently, the individual farmers find themselves poorly exposed to exert any influence on the existing systems.

All actors involved in the supply chain have an equal responsibility to help solving the existing problems. Joint solutions with politicians and local governments are required in order to continuously improve the living and working conditions of the farmers and their families and to give them sustainable prospects for the future. Below, we look in detail at exactly how we are addressing these structural challenges in the countries of origin from which we source cocoa beans in the context of the overall supply chain and how it is helping to make improvements.



# LINDT & SPRÜNGLI FARMING PROGRAM

**Through the Lindt & Sprüngli Farming Program for cocoa beans, we aim to provide cocoa farmers and their families with a decent and resilient livelihood, sustainably intensify cultivation, and at the same time ensure the supply of high-quality cocoa beans from a consistent base of farmers.**

Where sustainability of its cocoa beans is concerned, Lindt & Sprüngli has decided to follow its own path. Our bean to bar model is the basis for a sustainable and traceable cocoa bean supply chain. It is essential for us to know where the beans come from and under what conditions they were grown and harvested locally. Traceability enables us to trace cocoa beans back to their place of origin. Lindt & Sprüngli sees this as a prerequisite for taking responsibility for sustainable cocoa cultivation in the countries of origin.

In 2008, Lindt & Sprüngli launched its own sustainability program, the Lindt & Sprüngli Farming Program, with the aim of achieving a 100% traceable and externally verified cocoa bean supply chain by 2020 and of supporting the local farmers and their communities. The Program started in Ghana and in subsequent years was extended to all the growing regions from which Lindt & Sprüngli sources cocoa beans: Ghana, Ecuador, the Dominican Republic, Madagascar and Papua New Guinea.

Our own sustainability Program enables us to ensure that the cocoa farmers, their families and their communities in the countries of origin benefit directly from the investments that are made and that their livelihoods are improved. At the same time, the Farming Program ensures the supply of high-quality cocoa beans from the same farmers over the long term. For consumers, knowing that the cocoa beans come from our own externally verified Program is an important indication of transparency. Lindt & Sprüngli works together with long-term suppliers implementing the Program in the countries of origin to ensure this. The long-term partnership with the suppliers is the basis for a stable cooperation with the farmers, who can be provided with targeted support over an extended period.

The goal of the Program is to enable cocoa farmers and their families to have a decent livelihood and to sustainably intensify cultivation.



Lindt & Sprüngli aims to achieve this goal through increased farm productivity and income diversification, and by preserving biodiversity and natural ecosystems, combating child labor and expanding infrastructure. The Program enables farmers to manage their farms in accordance with good agricultural, social, environmental and economic practices. In order to push forward with these goals systematically, the Program is based on four key pillars: traceability and farmer organization, training and knowledge transfer, farmer investments and community development, and external verification and continuous progress of the Program.

The Farming Program thus pursues a holistic approach which addresses various challenges, is continuously being improved and always seeks local solutions. The strength of the Program lies precisely in this flexibility to tailor measures to the local context and to improve continuously.

The Lindt & Sprüngli Farming Program is financed through a price premium per ton of cocoa beans and contributions from the charitable Lindt Cocoa Foundation, which was established in 2013. The Program is funded with around USD 12 million a year, of which USD 10 million come directly from Lindt & Sprüngli and USD 2 million from the Lindt Cocoa Foundation. Other organizations, such as the State Secretary for Economic Affairs (SECO) and "IDH, The Sustainable Trade Initiative", also help to co-finance the Program.

## INITIATIVES ON INCOME DIVERSIFICATION

The cocoa harvest is seasonal, and the resulting fluctuations in harvest volumes mean that farmers' income streams are unevenly spread over the year. In addition, fluctuating cocoa prices or harvest volumes which are adversely affected by diseases, pests or climate conditions make it difficult to plan their income. For this reason, income diversification is crucial to farmer resilience and leads to an improved distribution of revenues throughout the year. In Ecuador, for example, farmers have been trained to produce their own organic liquid fertilizer. They use it on their farms, enabling them to cut costs, and they sell the fertilizer on the local market. Farmers received interest free loans as start-up capital for beekeeping, which now provides them with additional income from honey. The Farming Program in Ghana is also increasingly fostering this approach to show farmers how to generate additional income. Secondary activities in Ghana range from snail, fish or pig farming to crop diversification with maize, cassava, cocoyam, chilli, carrots or cabbage.

## THE 4 PILLARS OF THE PROGRAM

1.

### Traceability and farmer organization

Traceability is the basis for any commitment to sustainability. Only if we know where the beans are coming from and who is producing them we can have a positive impact on local circumstances. The Program therefore starts by organizing the farmers into groups for training. In order to assess the baseline situation, basic data on the farms and the farmers is collected including their GPS data. This is followed by the establishment of a traceability system with processes that enable to trace cocoa beans from the farmers to the cocoa mass production. This is an important basis for the implementation of our "No-Deforestation and Agroforestry Action Plan for Cocoa".

2.

### Farmer training and knowledge transfer

Theoretical and practical trainings for farmers helps them to improve their agricultural, social, environmental and economic practices. They learn everything about cocoa cultivation – how to grow, harvest, ferment and dry the beans correctly – as well as how to manage their plantations professionally and in an environmentally friendly way. The content of the training enables them to increase the yields of their mostly small farms, to diversify their income sources and thereby increase their net income. The farmers are also trained in social practices to raise their awareness of important issues such as work safety and child labor. In addition to group training courses, individual coaching sessions are playing an increasingly important role in knowledge transfer.

3.

### Farmer investment and community development

In order that farmers can put into practice what they have learned, they receive farming equipment, such as rubber boots, cutting tools and fertilizers, in the form of in-kind premiums. High-yielding and disease-resistant cocoa seedlings and shade trees are also distributed, in order to encourage agroforestry. As part of our "No-Deforestation and Agroforestry Action Plan for Cocoa", farmers receive native shade tree seedlings, which generate additional income along with ecological and agronomic benefits. Since many farmers do not have access to banks, we support the creation of village savings and loan groups. The communities are supported through the construction of rural infrastructure, such as boreholes for clean drinking water, and the renovation of schools.

4.

### Verification and continuous progress

An internal monitoring system helps to assess the progress farmers made in their environmental, agricultural, social and economic practices and to ensure the effectiveness of our activities. In addition, in all five countries where it exists, the Farming Program undergoes an annual review by an independent third party at least once a year. To this end, Lindt & Sprüngli has been working with the "Earthworm Foundation" since 2015. The verification process is based on a sound methodology and includes the development of an action plan drawn up by all the partners, which is adjusted annually.

# OUR SUCCESSES SINCE 2008

## THE 4 PILLARS OF THE PROGRAM:

1.

Traceability  
and farmer  
organization

2.

Farmer training  
and knowledge  
transfer

3.

Farmer investment  
and community  
development

4.

Verification and  
continuous  
progress

3.

1,940,122

shade trees have been planted since the  
launch of the Program.

3.

5,990,841

cocoa seedlings have been planted since the  
launch of the Program.

1.

79,979

cocoa farmers participate in the  
Farming Program.

3.

~130,000

members of village communities  
are benefiting from investments in the  
development of water infrastructure.

2.

4.

443

field staff support the  
cocoa farmers every day in the  
countries of origin and track the  
progress of the Program.

2.

21,883

cocoa farmers have received  
income diversification training  
since the launch of the Program.

3.

33

schools have been renovated,  
benefitting 4,862 children to  
go to school.



# MILESTONES OF THE LINDT & SPRÜNGLI FARMING PROGRAM

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- 2008** The Lindt & Sprüngli Farming Program is launched in Ghana.
- 2012** The Program is expanded to include four new pillars: traceability, training, community support and verification.
- 2013** The Lindt Cocoa Foundation is established.
- 2014** The Lindt & Sprüngli Farming Program starts in Ecuador.
- 2015** The Lindt & Sprüngli Farming Program starts in Madagascar.
- 2016** Important milestone in Ghana: 100% of cocoa beans are fully traceable and externally verified.
- 2017** Papua New Guinea becomes part of the Farming Program.
- 2018** Start of the Program in the Dominican Republic. All countries from which Lindt & Sprüngli sources cocoa beans are now part of the Farming Program.
- 2019** The No-Deforestation and Agroforestry Action Plan for Cocoa enters into force in all five countries of origin.
- 2020** **Goal achieved: 100% traceable and externally verified cocoa beans.**

# FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

... in Ghana

Ghana is the world's second-largest cocoa producer, producing around 800,000 tons of Forastero cocoa<sup>4</sup> 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. In order to maintain this, Ghana carries out comprehensive and stringent quality controls. 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 households<sup>5</sup>. However, the sector is challenged by numerous issues such as deforestation, rapid population growth, child labor, and insufficient income for farmers. Yields are low due to a lack of

knowledge of agricultural cultivation methods, overaged farms and a lack of investments. They are further reduced by pests and diseases such as the viral disease CSSD (Cocoa Swollen Shoot Disease), which affects the trees.

## THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

Ghana is Lindt & Sprüngli's major cocoa bean origin and therefore also the first country in which the newly developed Farming Program was established in 2008. Since its inception, the Program has taken a holistic approach to improving the livelihoods of the farmers and intensifying cocoa cultivation sustainably.

The Program has now been implemented by our local partners in the 51 districts we source cocoa beans from. 378 field staff support 64,406 farmers. Almost all the farmers received theoretical and practical training in good agricultural cultivation methods and important environmental aspects of cultivation. They learn how to manage their farms professionally. But the training also includes important social practices, in order to increase the farmers' awareness of child labor and equality. As part of our «No-Deforestation and Agroforestry Action Plan for Cocoa», 1,833,301 shade trees have been distributed in the last three years alone. We have set ourselves a target of plant-



## GHANA IN FIGURES

- 1. Production:**  
800,000 tons of cocoa<sup>4</sup>
- 2. Cocoa varieties:**  
Forastero (consumer cocoa), Criollo and Trinitario (fine-flavor cocoa)<sup>7</sup>
- 3. Population:**  
31 million
- 4. Area:**  
238,537 km<sup>2</sup>
- 5. Cocoa farmers:**  
1 million<sup>6</sup>
- 6. Main harvesting season:**  
October–April<sup>8</sup>
- 7. Average area under cultivation:**  
2–3 hectares<sup>5</sup>





*"Knowledge creates opportunities."*

ing 2,000,000 shade trees by the end of 2021 as an important milestone.

In order to increase yields and thereby the net income of farmers, our Program offers training and individual coaching sessions. The field staff also provide support to the farmers to help them renovate their farms and distribute disease-resistant and high-yielding cocoa seedlings. Since the start of the Program, 4,786,926 cocoa seedlings have been distributed. In addition, support and training for generating additional or alternative sources of income have been provided. Since 2017, 19,543 farmers in Ghana have taken part. The Program has also set up 137 "Village Saving and Loan Associations" (VSLAs), in the communities. Moreover, Lindt & Sprüngli is supporting the Ghanaian government's initiative to improve the livelihoods of farmers via the so-called LID (Living Income Differential). From the 2020/21 harvest season onward, a price premium (differential) of USD 400 is paid on top of the market price for every ton of raw cocoa.

Improvement of the infrastructure in communities and access to education are an integral part of our Program. In this context, 206 boreholes for water have been built and 30 schools have been renovated since the launch of the Program. Thanks to these initiatives, 123,600 farmers and their communities have a clean drinking water supply and 4,033 children have access to education.

Building on the content of the Program to date, in the 2020/21 season farmers are benefiting from an expanded training plan. Important topics such as "climate-smart cocoa", i.e. the dissemination of practices which will promote resilience to climate change and sustainably increase cocoa production, are being included for the first time. The training also covers the important issue of including women in financial decision-making. In addition, the establishment of a "revolving fund" enables the direct provision of start-up capital under the Program within the context of income diversification and supports the implementation of further pack-

ages of measures to improve the livelihoods of farmers.

In order to prevent child labor and to implement the protection of children's rights, Lindt & Sprüngli has drawn up an action plan against child labor, which applies three key levers. Our field staff are actively working to prevent child labor through training courses and awareness-raising measures, and by identifying unauthorized child labor through unannounced visits. In this way, the training has already reached all farmers in the Program. We have implemented our activities on a long-term basis, and in 2021, the action plan will be adapted to current needs and re-focused.

# FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

*... in Ecuador*



*"Preserving the diversity of  
fine-flavor cocoa."*



**ECUADOR IN FIGURES****1. Production:**328,000 tons of cocoa<sup>12</sup>**2. Cocoa varieties:**

Nacional (fine-flavor cocoa),  
 Castro Naranja Collection  
 CNN-51 (hybrid cocoa), Sacha  
 Gold and other Amazonian  
 varieties<sup>13</sup>

**3. Population:**

17.3 million

**4. Area:**284,516 km<sup>2</sup>**5. Cocoa farmers:**350,000<sup>10</sup>**6. Main harvesting season in the north:**November–February<sup>14</sup>**6. Main harvesting season in the south:**September–December<sup>15</sup>**7. Average area under cultivation:**

under 10 hectares, with some  
 large farms of over 200 hectares<sup>11</sup>



Ecuador is the world's largest and most important producer of fine-flavor cocoa and is responsible for two-thirds of global fine-flavor cocoa production<sup>9</sup>. The cocoa is grown by around 350,000 cocoa farmers<sup>10</sup> whose farms sizes range from one to ten hectares<sup>11</sup>. The stock of trees on many plantations planted with fine-flavor cocoa is either ageing or, where they are not irrigated, suffering from water stress due to a lack of shade, unless they are watered. If there is no money available for basic investment in the farm, this leads to low productivity. Consequently, Ecuadorian cocoa farmers are increasingly planting hybrid varieties, especially Castro Naranja Collection 51 (CCN-51), rather than fine-flavor cocoa varieties. For Lindt&Sprüngli this trend poses a challenge, as the only cocoa varieties from Ecuador used for manufacturing chocolate are fine-flavor cocoa varieties.

**THIS IS HOW WE ARE TAKING ON RESPONSIBILITY**

Ecuador is our major fine-flavor cocoa supplier and has been part of the Farming Program since 2014. In the 2019/20 season, a total of 8,473 farmers and 29 field staff are part of the Program. Since the launch of activities, we have set the goal of preserving the diversity of fine-flavor cocoa by promoting the rehabilitation and rejuvenation of cocoa farms with fine-flavor cocoa varieties. The farmers have so far been supplied with 780,426 disease-resistant and high-yielding fine-flavor cocoa seedlings. Our Program is pursuing a holistic approach in order to increase the appeal of growing fine-flavor cocoa. This includes training and in-kind premiums in the form of tools and farming equipment. Recently, new elements have been incorporated into the Program, such as a tailored training initiative involving

specialist workshops on cultivation, income diversification from beekeeping and pig rearing, and financial skills for farm management. In addition, the Program is focusing increasingly on individual coaching, the promotion of organic cultivation methods, the introduction of dynamic agroforestry systems and raising the awareness of farmers of the need to conserve areas of high conservation value in and around their plantations. The Program is implemented by two suppliers which operate independently of one another in different regions.

In the 2020/21 cocoa season, the Farming Program in Ecuador will be enhancing its measures in the areas of training involving individual farm management plans, the rehabilitation and rejuvenation of cocoa farms, and the development of agroforestry systems.

# FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

*... in Madagascar*



Madagascar is a fine-flavor cocoa producer whose cocoa is distinguished by a particularly wide variety of flavors and is considered to be of very high quality. Around 33,000 cocoa farmers<sup>16</sup> currently produce approximately 14,000 tons of cocoa<sup>17</sup> a year, which equates to around only 0,5% of the global harvest. Cultivation is concentrated in the north-west of the country and is mostly grown according to organic criteria.

The cocoa sector is not regulated and receives scarcely any government support. Besides the structural poverty, the small and ageing farms and in some cases a lack of knowledge about cocoa cultivation itself, the situation of small and ageing farms is exacerbated by a lack of infrastructure in rural areas.

*"Establishing  
infrastructure."*







### THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

The Farming Program was established in Madagascar in 2015. In the 2019/20 cocoa season, 2,223 cocoa farmers were involved in our 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 trees that are mainly over 20 years old. Action is being taken to address this ageing of the farms and has to date involved the distribution of more than 40,000 cocoa seedlings and more than 4,000 shade trees. The farmers do generally not use any chemicals for cocoa production, and training courses teach them methods to increase agricultural production or to control pests and diseases biologically. Model farms are used to familiarize the farmers with the use of such practices. Another priority area of our Program 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 Switzerland and financed by the Lindt Cocoa Foundation.

In the 2020/21 cocoa season, the number of farmers in our Program will remain stable, but the Program's activities will continue to expand. To promote income diversification among producers, training in the cultivation of ginger and vanilla, small livestock rearing and honey production is being offered. As a supplementary measure, training in general financial knowledge is being stepped up and communities are being helped to set up savings and loan groups. Alongside the ten group training modules which are designed to be attended by the majority of farmers, the number of farmers receiving individual coaching is being increased. As far as infrastructure funding is concerned, the focus in the next season will be on support for schools and further investment in water infrastructure.

### MADAGASCAR IN FIGURES

- 1. Production:**  
14,000 tons of cocoa<sup>17</sup>
- 2. Cocoa varieties:**  
Criollo and Trinitario (fine-flavor cocoa), Forastero (consumer cocoa)<sup>18</sup>
- 3. Population:**  
26 million
- 4. Area:**  
587,295 km<sup>2</sup>
- 5. Cocoa farmers:**  
33,000<sup>16</sup>
- 6. Main harvesting season:**  
May–July<sup>19</sup>
- 7. Average area under cultivation:**  
0.5–1.25 hectares<sup>20</sup>

# FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

*...in Papua New Guinea*



*"Improving living conditions."*

Papua New Guinea is one of the world's youngest producers of fine-flavor cocoa. On the second-largest island in the world, over 85%<sup>21</sup> 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. Around 120,000 cocoa farmers<sup>22</sup> produce 35,000 tons of fine-flavor cocoa<sup>23</sup>. The

average cocoa cultivation area per farmer, most of whom grow cocoa organically, stands at just one hectare<sup>24</sup>. In Papua New Guinea, too, the poor rural infrastructure, lack of knowledge of professional methods of cultivation, lack of equipment and lack of investment lead to low productivity and as a consequence to low incomes for farmers.



### THIS IS HOW WE ARE TAKING ON RESPONSIBILITY

Papua New Guinea joined the Farming Program in 2017. Our Program reached 4,138 farmers in the 2019/20 cocoa season and is being implemented by 18 field staff. Due to the diverse challenges, the Program is very broad in scope and was initially primarily aimed at providing training courses on topics ranging from good agricultural practices and the protection of natural resources to social topics such as equality and health issues such as HIV/Aids. These six basic modules have already been completed by 80% of the farmers. To enable the farmers to implement the agronomic practices they have learnt, these are demonstrated on 44 model farms and the farmers are provided with agricultural equipment. In order to help improve productivity, the farmers have been provided with approximately 200,000 disease-resistant and productive fine-flavor cocoa seedlings and recently also with around 15,000 shade trees. Since the last cocoa season, training courses on finan-

cial literacy are now also being conducted and access to banks is being promoted, with a particular focus on the involvement of women.

Needs assessment on farming communities has 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, which are helping an estimated 2,800 village inhabitants to obtain clean drinking water, and has already renovated three schools, benefiting around 830 children.

Following expansion of our Program in the last two years, in the next season the number of producers will remain steady and efforts will be made to ensure that all the cocoa farmers take part in all the basic training modules. At the same time, the training courses on general financial education, as well as individual coaching, are being expanded and other key activities such as the development of model farms, the

distribution of seedlings and shade trees and investments in the community are being continued.

### PAPUA NEW GUINEA IN FIGURES

#### 1. Production:

35,000 tons of cocoa<sup>23</sup>

#### 2. Cocoa varieties:

Trinitario (fine-flavor cocoa) and Forastero (consumer cocoa)<sup>25</sup>

#### 3. Population:

9 million

#### 4. Area:

462,840 km<sup>2</sup>

#### 5. Cocoa farmers:

120,000<sup>22</sup>

#### 6. Main harvesting season:

April–August<sup>26</sup>

#### 7. Average

area under cultivation:

1 hectare<sup>24</sup>





# FOR A MORE SUSTAINABLE WORLD OF CHOCOLATE

*... in the Dominican Republic*

Alongside the cultivation of coffee, cocoa cultivation is the major source of income of around 40,000 small-scale farmers<sup>27</sup> in the Dominican Republic. The island state's cocoa production is characterized by high-quality fine-flavor cocoa beans with a fruity acidic taste, most of which are grown organically in agroforestry systems. The greatest challenge for the cocoa farmers is the low level of productivity which they achieve on their small-

to-medium areas of cultivation of up to five hectares<sup>28</sup>.

## **THIS IS HOW WE ARE TAKING ON RESPONSIBILITY**

The Dominican Republic is the most recent country of origin to join our Farming Program. Cooperation with our implementation partner began in 2018. The Program currently covers 739 farmers who are supported by three field trainers. The goal of the Pro-

gram is to professionalize agricultural practices and to achieve corresponding increases in yields and income. The focus is on a comprehensive eight-module training program, supplemented by specialist workshops (e.g. on financial management), the distribution of around 90,000 cocoa seedlings and shade trees annually, and the promotion of farm rejuvenation and rehabilitation. The establishment of working groups and financial incentives







*"Promoting biodiversity."*



have made it possible to implement the rehabilitation and rejuvenation of plantations successfully. Farmers who successfully apply what they have learned receive a premium as remuneration for their efforts, while work on the plantation is carried out in the form of community work, with the group of farmers being instructed by one of the field staff. Recently, a rural savings cooperative has provided the farmers with a savings account into which their premiums are paid directly and digitally. Membership of the cooperative enables them not only to save but also to obtain access to loans on preferential terms, allowing them to make vital investments in their plantations.

After another successful year of scaling, new farmers will again be admitted from the 2020/21 season onward. The focus will be on training sessions and continuous improvements in the Program's structures. Feedback from the farmers will be incorporated so that process structures can be improved appropriately to meet their needs. The first project to support agroforestry will be implemented shortly.

#### DOMINICAN REPUBLIC IN FIGURES

- 1. Production:**  
75,000 tons of cocoa<sup>29</sup>
- 2. Cocoa varieties:**  
Criollo and Trinitario (fine-flavor cocoa)
- 3. Population:**  
10.77 million
- 4. Area:**  
48,730 km<sup>2</sup>
- 5. Cocoa farmers:**  
40,000<sup>27</sup>
- 6. Main harvesting season:**  
April–July<sup>30</sup>
- 7. Average area under cultivation:**  
3 hectares<sup>28</sup>



*"We are very proud of having reached our major milestone in our anniversary year of 2020. Our cocoa beans are 100% traceable and externally verified."*

Dr Dieter Weisskopf  
Group CEO Lindt & Sprüngli











LINDT & SPRÜNGLI