

Corporate Governance

Group structure and Shareholders

Group structure

The Lindt & Sprüngli Group is globally active developing, producing and selling chocolate products in the premium quality segment. The holding company, Chocoladefabriken Lindt & Sprüngli AG, with headquarters in Kilchberg ZH, is listed on the SIX Swiss Exchange. The market capitalization, based on 2017 year-end prices, is CHF 15.8 billion.

→ Security and securities listing numbers see page 83

The company's group structure is lean. While the Board of Directors handles management, strategy, and supervisory duties at the highest level, the Executive Chairman, the CEO and the Group Management members are responsible for operational management tasks.

→ Board of Directors see page 31

→ Group Management see page 37

The consolidation scope of Chocoladefabriken Lindt & Sprüngli AG includes national and international subsidiaries listed in notes to the consolidated financial statements, along with details about these companies, such as name, domicile, share capital, participation, etc.

→ Details of subsidiaries see page 83

Chocoladefabriken Lindt & Sprüngli AG holds no interests in listed companies.

Major shareholders

Between January 1, 2017, and December 31, 2017, the Group received one disclosure notification that BlackRock Inc., New York as parent company has a combined shareholding of 6,063 registered shares or 4.46% of the company's share capital. According to the share register of Chocoladefabriken Lindt & Sprüngli AG as of December 31, 2017, the "Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG", the "Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG", the "Lindt Cocoa Foundation", and the "Lindt Chocolate Competence Foundation", all in Kilchberg ZH, held, as a group, a total of 27,534 registered shares or 20.23% of the share capital and thus 20.23% of company voting rights (according to the last disclosure of November 25, 2013: 29,143 registered shares respectively 21.32% of the share capital and the voting rights).

During the year under review, no further disclosures were publicized on the official notices section of the SIX Swiss Exchange platform. Details and disclosures of previous years can be found on the official notices page of SIX Swiss Exchange website:

 <https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html?companyId=LINDT>

Chocoladefabriken Lindt & Sprüngli AG has no cross holdings.

Capital Structure

As of December 31, 2017, Chocoladefabriken Lindt & Sprüngli AG had the following capital structure:

Ordinary capital

The ordinary capital is composed of two securities types:

	2017
Registered shares*	CHF 13,608,800
Bearer participation certificates**	CHF 10,481,530
Total ordinary capital	CHF 24,090,330

* 136,088 registered shares, par value of CHF 100.– each

** 1,048,153 bearer participation certificates, par value of CHF 10.– each

The registered share has a voting right at the General Meeting; bearer participation certificates have no voting rights. Both types of shares have the same rights to dividends and proceeds of liquidation in proportion to their par value. All shares are fully paid in. No bonus certificates (“Genuss-scheine”) were issued.

Authorized and conditional capital

The Group has a conditional capital of CHF 4,240,890 at the most, comprising a maximum of 424,089 bearer participation certificates with a par value of CHF 10.– each. Of this maximum amount, the remaining 169,639 can be reserved for employee stock option programs; up to 254,450 participation certificates can be reserved for capital market transactions. Shareholders and participants have no subscription rights. Further information about authorized and conditional capital can be found in Article 4bis of the Articles of Association, available on the website of Chocoladefabriken Lindt & Sprüngli AG.

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.pdf

The ordinary capital can be increased with the conditional capital by no more than 17.6% up to a maximum of CHF 28,331,220. There is no authorized capital apart from the conditional capital.

Changes in capital

During the past three reporting years, the following changes have occurred in the ordinary and conditional capital:

Ordinary capital

Year	Participation capital in CHF	Registered shares (RS)*	Share capital in CHF	No. of bearer participation certificates (PC)**
2015	13,608,800	136,088	9,884,750	988,475
2015	13,608,800	136,088	10,131,360	1,013,136
2017	13,608,800	136,088	10,481,530	1,048,153

Conditional capital

No. of bearer participation certificates (PC)**

Year	Total	Capital market PC	Employee PC
2015	483,767	254,450	229,317
2015	459,106	254,450	204,656
2017	424,089	254,450	169,639

Number of securities, status as at December 31

* Registered shares (RS), par value CHF 100.–

** Bearer participation certificates (PC), par value CHF 10.–

Restrictions regarding assignability and nominee entries

Both registered shares and participation certificates can be acquired without restrictions. According to article 3, subsection 6 of the Articles of Association, however, the Board of Directors may refuse full shareholder status to a buyer of registered shares if the number of shares held by that buyer exceeds 4% of the total of registered shares as entered in the commercial register. Moreover, according to article 685d, subsection 2 OR (Swiss Code of Obligations), the Board of Directors may refuse entry into the share register if, upon demand by the Board, the buyer does not formally state that the shares are purchased on his own behalf and for his own account.

According to article 3, subsection 7 of the Articles of Association, corporate bodies and partnerships related to one another through capital ownership, through voting rights or common management, or otherwise linked, as well as natural persons and legal entities or partnerships acting in concert in regard to a registration restriction, are considered to be one single shareholder. Based on article 3, subsection 9 of the Articles of Association, the Board of Directors may make exceptions to these provisions in special cases and adopt suitable provisions for the application of these rules. The implementing provisions for these rules are defined in the regulation of the Board of Directors on “Registration of registered shares and maintaining the share register of Chocoladefabriken Lindt & Sprüngli AG”.


<http://www.lindt-spruengli.com/investors/corporate-governance/board-regulations/>

According to these provisions, particularly (1) the intention of a shareholder to acquire a long-term interest in the company or (2) the acquisition of shares as part of a long-term strategic business relationship or a merger, together with the acquisition or allocation of shares on the occasion of the acquisition by the company of a particular asset, are treated as special cases within the meaning of article 3, subsection 9 of the Articles of Association.

In the year under review, no exceptions were granted. Based on long-term participation and with regard to the purpose of the Foundation, the Board of Directors already granted such an exception prior to the year under review for the 20.23% of the voting rights of the “Fonds für Pensionsergänzungen der Chocoladefabriken Lindt & Sprüngli AG”, “Finanzierungsstiftung für die Vorsorgeeinrichtungen der Chocoladefabriken Lindt & Sprüngli AG”, “Lindt Cocoa Foundation”, and “Lindt Chocolate Competence Foundation”, all in Kilchberg, ZH.

A nominee shareholder will be granted full shareholder status for a maximum of 2% of the registered share capital as entered in the commercial register, if such nominee discloses – in writing – the name, address, domicile or seat, nationality, and shareholdings of those persons on whose account he holds the shares. Over the limit of 2%, the Board of Directors will enter the shares of a nominee as voting total shares in the shareholder register if such nominee discloses – in writing – the name, address, domicile or seat, nationality, and shareholdings of those persons for whose accounts he holds 0.5% or more of the then outstanding share capital. However, entry per trustor is limited to 4%, respectively to 10%, per nominee collectively. Article 3, subsection 7 of the Articles of Association, is also applicable to nominees.

The implementation rules are defined in the Regulations of the Board of Directors “Registration as nominee shareholder of Chocoladefabriken Lindt & Sprüngli AG”.

 http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/BOR/REGISTRATION_AS_NOMINEE_EN.PDF

A revocation of these restrictions regarding assignability requires a resolution by the shareholders at the General Meeting, with a voting majority of at least three quarters of the shares represented.

Outstanding options and convertible bonds

Options on bearer participation certificates of Chocoladefabriken Lindt & Sprüngli AG are only outstanding within the scope of the existing employee option plan. Details concerning the number of options issued and still outstanding with the corresponding terms and conditions are shown in the table below:

Year of allocation	Number of options issued	Strike price (CHF)	Running term	No. of rights exercised	No. of exercisable rights
2011	32,103	2,523	until 2018	30,932	1,171
2012	33,505	2,679	until 2019	30,352	3,153
2013	30,581	3,123	until 2020	16,630	13,951
2014	17,149	4,062	until 2021	3,260	13,889
2015	22,265	4,811	until 2022	0	22,256
2016	24,810	5,401	until 2023	0	24,810
2017	23,560	5,360	until 2024	0	23,560
Total	183,973			81,174	102,799

The options were granted at a ratio of one option to one participation certificate (1:1). The options can be exercised for a maximum of seven years after the grant and are subject to a blocking period of three, four, and five years, respectively. The strike price is equivalent to a five-day average of the closing daily prices of the share on the Swiss stock market prior to the date of issue.

In 2017, a total of 35,017 of the above employee options were exercised (previous year: 24,661). Therefore, the “ordinary” participation capital was increased in 2017 by CHF 350,170 by the corresponding reduction in the “conditional” participation capital reserved for the employee stock option programs. The 102,799 options outstanding as of December 31, 2017, not yet exercised, are equivalent to 4.3% of the total capital. There were no outstanding convertible bonds of Chocoladefabriken Lindt & Sprüngli AG.

Board of Directors

Role and function

The Board of Directors makes decisions jointly and is assisted by Board committees in special cases. The Board's primary function is to provide guidance and exercise control over the Group; it makes strategic decisions and defines the general means for achieving the goals it has set for the company, sets the General Meeting agenda and approves the annual and half-year reports, as well as the Compensation Report. Decisions regarding the appointment of members to Group Management and the managing directors of subsidiaries, as well as resolutions on shareholders' motions from the General Meeting, will be made by the full Board.

Members

The Board of Directors of Chocoladefabriken Lindt & Sprüngli AG consists of at least five and not more than nine members according to article 17 of the Articles of Association. If the number of members falls below five, the minimum membership must be restored at the next ordinary General Meeting. As of December 31, 2017, the Board had six active members. Ernst Tanner is Executive Chairman of the Board; all other members are non-executive members.

Name, function	First election	until
Ernst Tanner, Executive Chairman of the Board of Directors	1993	2018
Dr Rudolf K. Sprüngli, non-executive member	1988	2018
Antonio Bulgheroni, non-executive member	1996	2018
Dkfm. Elisabeth Gürtler, non-executive member	2009	2018
Petra Schadeberg-Herrmann, non-executive member	2014	2018
Dr Thomas Rinderknecht, non-executive member	2016	2018

Antonio Bulgheroni was Managing Director of the Italian subsidiary Lindt & Sprüngli SpA until his retirement in April 2007. No other Board members were actively engaged in the management of the Group or a subsidiary; none had business relations with any entity within the Group in the past three years.

Members of the Board of Directors were individually elected by shareholders at the General Meeting for a one-year term of office (until the next General Meeting). No limitation is placed on their re-election. If a member leaves, or if an elected member subsequently declines the appointment, the seat concerned remains vacant until the next General Meeting.

In this reporting year, all Board members have been re-elected for terms of one year respectively newly elected until the conclusion of the next planned General Meeting.

Ernst Tanner (CH) Mr. Tanner was elected CEO and Vice Chairman by the Board of Directors in 1993. In 1994, he became Chairman of the Board. He is a member of the Corporate Sustainability Committee. He completed a commercial education and then attended business school in London and at Harvard. Before joining Lindt & Sprüngli, Mr. Tanner held top management positions for more than 25 years with the Johnson & Johnson Group in Europe and in the USA, last as Company Group Chairman Europe. Mr. Tanner has been a member of the Board of Directors of the Swiss Swatch Group since 1995, Vice Chairman of the Board of Directors since 2011, as well as member of the Compensation Committee since 2002 and Chairman of this Committee since May 2014. He also has a seat on the Advisory Boards of both the German Krombacher Brauerei GmbH & Co. KG and the Austrian SIGMA Group. As of September 30, 2016, Mr. Tanner resigned as CEO of the Lindt & Sprüngli Group and is since then Executive Chairman of the Board of Directors.

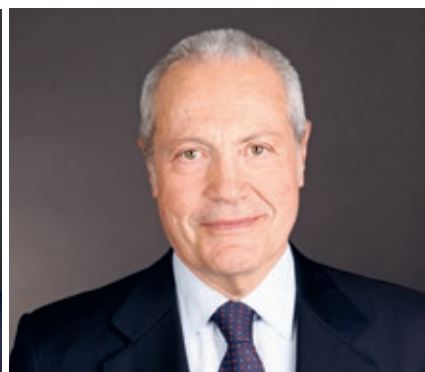
Board of Directors



Ernst Tanner



Dr Rudolf K. Sprüngli



Antonio Bulgheroni



Dkfm. Elisabeth Gürtler



Petra Schadeberg-Herrmann



Dr Thomas Rinderknecht

Dr Rudolf K. Sprüngli (CH) Mr. Sprüngli has been a member of the Board of Directors since 1988. He is the Chairman of the Compensation & Nomination Committee and the Corporate Sustainability Committee. He completed his studies with a doctorate in economics. Due to his former executive activities for the Group and for an international premium food-trading company, Mr. Sprüngli is an expert authority in the chocolate business. Today, he manages his own consulting firm. Mr. Sprüngli is also a member of the Council of the British-Swiss Chamber of Commerce, a member of the Board of Directors of Peter Halter Liegenschaften AG, a Board member at the Institut für Wirtschaftsberatung as well as Chairman of Freies Gymnasium Zurich.

Antonio Bulgheroni (IT) Mr. Bulgheroni has been a member of the Board of Directors since 1996 and was Lead Director from February 2009 until end of September 2016. He currently serves on the Audit Committee, Compensation & Nomination Committee and Corporate Sustainability Committee. His extensive company management experience in every area of the chocolate business makes Mr. Bulgheroni a highly respected international expert in the chocolate industry. From 1993 until his retirement in April 2007 he was CEO of Lindt & Sprüngli SpA. Since then, he has been Chairman of the Board of Lindt & Sprüngli SpA and Caffarel SpA, the two Italian subsidiaries of the Group. Mr. Bulgheroni, who holds the Order of Merit for Labor of the Italian Republic, is a member of the Board of Directors of the L.I.U.C. University, as well as the Chairman of the Board of Directors of Bulgheroni SpA.

Dkfm. Elisabeth Gürtler (AT) Ms. Gürtler has been a member of the Board of Directors since 2009 and is currently a member of the Compensation & Nomination Committee. She completed her business-science studies with a master's degree, then built up an outstanding reputation, particularly as director of the world-famous Sacher Hotels in Vienna and Salzburg, where premium quality plays a key role. From 1998 till 2012, Ms. Gürtler was a member of the Supervisory Board of Erste Group Bank AG. She was a member of the general council of the Austrian National Bank from 2004 to 2014 and is currently member of the Board of Directors of ATP Planungs- und Beteiligungs AG in Innsbruck, as well as serving on the Advisory Board of the Nürnberger Lebensversicherung (Nürnberg Life Insurance) in Germany.

Petra Schadeberg-Herrmann (D) Ms. Schadeberg-Herrmann has been a member of the Board of Directors since 2014 and is currently a member of the Audit Committee. After periods of study in Paris and London, Ms. Schadeberg-Herrmann completed her studies at the European Business School in Germany in 1990 with a degree in business management. She has been employed by the Krombacher Brewery Group of Companies (the leading German beer market brand) for more than 25 years and is currently a managing partner. Ms. Schadeberg-Herrmann is active primarily on the financial and commercial side. Among her other duties as managing partner, she is in charge of Krombacher Finance GmbH. In June 2011, she was elected to the Supervisory Board of Kronen AG, the world's leading manufacturer for filling and packaging technology in the beverage and liquid food industries.

Dr Thomas Rinderknecht (CH) Mr. Rinderknecht has been a member of the Board of Directors since April 2016 and is currently Chairman of the Audit Committee. He has a PhD in law and was admitted to the Bar in the Canton of Zurich in 1982. From 1984 onwards he worked as a freelance commercial attorney before becoming Senior Partner with the law firm Badertscher Rechtsanwälte AG, Zurich and Zug as of 2009. Since 1984 Mr. Rinderknecht has had numerous directorships on the boards of various unlisted companies in the healthcare/pharmaceutical/biotech branches and in the media, as well as in the industrial sector. Since 2011, he has also been a member of the Board of Directors and the Audit Committee of Basilea Pharmaceutica AG. With his background as a commercial attorney, Mr. Rinderknecht's legal expertise is of particular benefit to the Board of Directors.

Number of activities permitted outside the Group

The number of mandates in senior managing bodies and boards of directors of legal entities outside the Group – which are to be entered in the Swiss commercial register or in a comparable foreign register – is restricted for the members of the Board of Directors to: four mandates in listed companies, ten mandates in non-listed companies, and fifteen mandates in other legal entities, such as foundations and associations according to article 19, paragraph 3 item 1 of the Articles of Association.

 http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.pdf

Internal organization

The Ordinary General Meeting elects together with the members of the Board of Directors the Chairman of the Board of Directors and the members of the Compensation Committee. In other respects, the Board of Directors remains self-constituting.

If the chairman is dismissed from the Board of Directors, or retires from the Board before ending the term of office, the Board of Directors can appoint an interim chairman from among its members until election at the next General Meeting. Should one or more members of the Compensation Committee retire early, the Board of Directors can appoint substitutes from among its members until the next General Meeting.

The Chairman presides over the General Meeting, represents the company in dealings with third parties and provides together with the CEO and the members of Group Management timely information for the Board of Directors on all matters important for decision-making and the monitoring of significant Group concerns. He is responsible for preparing all matters to be dealt with by the Board of Directors, placing them on the agenda, and for convening and chairing Board of Directors' meetings. In addition, the Executive Chairman of the Board of Directors assumes the following tasks:

- Representation and positioning of the Lindt & Sprüngli Group towards the public, the authorities, and the company shareholders (communications) unless the Executive Chairman of the Board of Directors delegates this task elsewhere after internal consultation between himself and the CEO of the Lindt & Sprüngli Group;
- Responsibility for the long-term strategic direction of the Lindt & Sprüngli Group and specific strategic projects, including transactions;
- Supporting important alliances and strategic partnerships;
- Positioning the Lindt & Sprüngli Group in the area of communications and marketing;
- Overall responsibility for corporate culture;
- Additional tasks are derived from the Allocation of Competences and the resolutions passed by the Board of Directors.

The CEO is entrusted with the task of managing the business jointly with Group Management. The CEO presides over Group Management and decides in close collaboration with the Executive Chairman of the Board of Directors on the most important matters. Further details about the tasks of the CEO and Group Management can be found on page 36 of this Annual Report.

The Board of Directors meets regularly – as often as business requires – but at least four times a year. Meetings are convened by the Chairman, or by another member of the Board of Directors appointed to represent him. Each member of the Board of Directors is authorized to ask for a meeting to be convened without delay; the purpose must be stated.

The Chairman or, in his absence, another member of the Board of Directors authorized to represent him, presides over the meeting. Along with members of the Board of Directors, the meetings may also be attended by members of Group Management and other non-members. In the year under review, four regular and one telephone conference were held; all members were present. The regular meetings lasted around three hours. The telephone conference lasted around one hour. Members of Group Management regularly attended these meetings, in compliance with exclusion principles. No external consultants took part in meetings of the Board of Directors.

Committees of the Board of Directors

The Chairman of the Board of Directors and the Board of Directors are assisted in their work by three committees: the Audit Committee, the Compensation & Nomination Committee and the Corporate Sustainability Committee. The Board of Directors may decide at any time – through a majority decision – to set up further committees. Until that time, all other tasks of the Board of Directors will continue to be performed by the whole Board of Directors.

Audit Committee

The Audit Committee consists of at least three non-executive, independent members of the Board of Directors. Of these, at least two must possess substantial experience in finance and accounting. The CFO has a consultative vote in the committee. As of December 31, 2017, members of the Committee were: Dr Thomas Rinderknecht (Chairman), Antonio Bulgheroni, and Petra Schadeberg-Herrmann. The members of the committee possess sufficient experience and professional knowledge in the areas of finance and risk management to enable them to perform their tasks effectively.

The Audit Committee supports the Board of Directors in its function of strategic supervision, particularly in main audit areas, complete presentation of the financial statements/audit findings, compliance with statutory requirements and the services of external auditors. In addition, the committee assesses financial reporting expediency and internal control systems and ensures ongoing communication with external auditors. It also constantly scrutinizes the Group's risk management principles and appropriateness of risks taken, especially in the areas of investments, currencies, raw-material procurement, and liquidity.

The Audit Committee makes recommendations to the Board of Directors for important decisions in areas discussed above, such as approval of risk management principles, adoption of the annual accounts statement, or proposals for the appointment of the statutory auditor. The committee itself has no decision-making powers. It may, however, decide independently to entrust the auditor with special assignments and approve the fee budget for audit tasks submitted by the external auditors.

The committee meets as often as business requires, but at least four times a year. In 2017, four regularly scheduled meetings and one telephone conference which lasted one hour, were held; all members were present.

The meetings generally lasted around two hours, the telephone conference lasted about one hour, with members of Group Management regularly attending. Auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. No external consultants took part in meetings of the Board of Directors in the year under review.

→ Information on auditors see page 41

Compensation & Nomination Committee

The Compensation & Nomination Committee consists of three non-executive members of the Board of Directors, each of whom was elected in the year under review by the general meeting for a term of office of one year until the end of the next ordinary general meeting. As of December 31, 2017, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Dkfm. Elisabeth Gürtler.

→ Information on responsibilities of the Compensation & Nomination Committee see Compensation Report page 44

Corporate Sustainability Committee

The Corporate Sustainability Committee consists of three members from the Board of Directors. These may be both executive and non-executive members of the Board. The CFO attends the meetings. As of December 31, 2017, Committee members were: Dr Rudolf K. Sprüngli (Chairman), Antonio Bulgheroni, and Ernst Tanner.

The Corporate Sustainability Committee supports the Board of Directors in setting the strategic direction for company activities, while aiming for comprehensive sustainable management. It is also responsible for the development and adaptation of all globally valid corporate policies in this area and monitors compliance in legal aspects. It meets as often as business requires, at least once a year. One regularly convened meeting took place in the year under review and lasted about two hours. The CEO and the CFO attended this meeting. No external consultants were present at this meeting.

Allocation of competences

The essential principles for allocating the competences and responsibilities among the Board of Directors and Group Management are set forth in the Organizational Regulations. Below is a summary of the basic principles:

Board of Directors

- Performs vested statutory tasks. The Board of Directors is therefore responsible for strategic management of the company, giving necessary instructions and supervising Group Management.
- Determines strategic, organizational, accounting, and financial planning guidelines.
- Changes to the legal structure of the Group (especially incorporation of new subsidiary companies, acquisitions, joint ventures, as well as liquidation of companies).
- Appointment and dismissal of the CEO, secretary, and Members of Group Management, Extended Group Management and Chief Executive Officers of subsidiary companies.
- Approves the budgets for the Group and the individual subsidiaries.

The Board of Directors has assigned the Management of day-to-day business to the CEO and Group Management.

CEO

The CEO is the Chairman of Group Management and responsible for procurement and forwarding of information to Group Management, the Executive Chairman of the Board of Directors, and members of the Board of Directors. The CEO must also ensure that the decisions and instructions of the Board of Directors are executed by Group Management. Last, but not least, he is responsible for managing the operational business of the Group within the framework of its strategic objectives and for planning the overall business and reporting within the Group.

Group Management

Group Management is responsible for implementation of Group strategies. In addition, individual members of Group Management must lead their allocated functional and responsibility areas within the framework of the Group policy in compliance with instructions given by the CEO and the Executive Chairman of the Board of Directors. On the basis of a matrix structure, individual Group Management members are given line responsibility for entire country organizations and geographical areas, together with functional responsibility for specific areas.

→ For details on members of Group Management see page 37

Extended Group Management

The Extended Group Management of Chocoladefabriken Lindt & Sprüngli AG was merged with Group Management on January 1, 2017.

Information and controlling instruments

The Board of Directors is kept regularly informed of all important matters relating to the Group's business activity. The CEO and members of Group Management attend Board of Directors' meetings and report on new business developments, important projects and events. Extraordinary occurrences are immediately called to the attention of the members of the Board of Directors. To obtain an accurate and direct picture of local market situations, the Board of Directors regularly visits national companies and meets with local business management.

The Board of Directors is kept informed in writing on a regular basis through an extensive and complete Management Information System (MIS) covering profit and loss, balance sheets, cash flow, investments and personnel, of the Group and the subsidiaries. The information is provided on both a historical basis and as a year-end forecast.

Furthermore, members of the Board of Directors receive, on an annual basis, a detailed overall budget, together with a three-year medium-term plan with forecasts for future development of individual subsidiaries and the consolidated group of companies, covering the income statement, profit and loss, balance sheet, cash flow, investments, and personnel. An annually updated Group-wide analysis of strategic, operational, and financial risks – including valuations, actions taken to limit risks and responsibilities – is also presented.

To enable assessment of Group risk parameters, the Audit Committee also receives a quarterly report on securities and cash investments, currencies, raw-material procurement, and liquidity (risk control reporting). Members of Group Management regularly attend Audit Committee meetings. The Group has no internal audit department; thus, the internal financial control system, management information and risk management reporting of the Group is given very special attention.

Each year, a report is submitted to the Audit Committee on the internal financial control processes in the various corporate functions of subsidiary companies (IT, Procurement, Production, Sales, Salary payments, Treasury, HR, and Financial Reporting). Within the framework of the yearly audit, the auditors may be charged with special assignments, which go above and beyond legal and statutory requirements.

Group Management

As of December 31, 2017, Chocoladefabriken Lindt & Sprüngli AG's Group Management had eight members:

Name, responsibility	At Lindt & Sprüngli since
Dr Dieter Weisskopf Chief Executive Officer	1995
Martin Hug Chief Financial Officer	2004
Andreas Pfluger Country Responsibility	1994
Rolf Fallegger Country Responsibility, International Marketing	1997
Dr Adalbert Lechner Country Responsibility, Global Retail	1993
Kamillo Kitzmantel* Country Responsibility	1994
Alain Germiquet Country Responsibility, International Sales	2007
Guido Steiner Group Operations	1990

* Kamillo Kitzmantel retired on December 31, 2017, and stepped down from Group Management. Uwe Sommer already retired on April 30, 2017, and left the Group Management.

Dr Dieter Weisskopf (CH) lic. rer. pol. — Mr. Weisskopf started his career at Swiss Union Bank. After gaining additional experience in the banking sector in South America, he then changed to the food industry, joining the Jacobs Suchard Group. At Jacobs Suchard and at Klaus Jacobs Holding, he held executive management positions in the area of finance, latterly as CFO in Canada and Switzerland. Mr. Weisskopf joined the Lindt & Sprüngli Group in 1995 as Head of Finance, Administration, IT, and Purchasing. Since 2004, he has also been responsible for manufacturing. As of October 1, 2016, he took over as CEO of the Lindt & Sprüngli Group and is responsible for Group Legal & IP, Corporate Communications and Group HR.

Martin Hug (CH) Economist, MA — Mr. Hug started his career in various roles with a leading global coffee trading company in Latin America (Costa Rica, Ecuador and Honduras), latterly as Finance Director in Costa Rica, before he joined Lindt & Sprüngli (International) AG in 2004 as Senior Controller. Only a short time later he was promoted to CFO at Lindt & Sprüngli UK. From 2011 to the end of 2016 he held the position of CFO at Ghirardelli in the USA. As of January 1, 2017, he has been Group CFO and a member of Group Management, where he is responsible for Finance, IT, Purchasing and Sustainability.

Andreas Pfluger (CH) lic. rer. pol. — Mr. Pfluger began his career with Unilever in Switzerland before joining Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1994. In 1997, he took over responsibility as CEO for building up the subsidiary in Australia. He then held further positions as CEO of the French subsidiary and of the Ghirardelli Chocolate Company in California (USA). In 2011, he returned to Swiss headquarters to work for Extended Group Management and was promoted to member of Group Management in 2013, where he is responsible for the integration of the American company Russell Stover and the development of specific markets.

Rolf Fallegger (CH) lic. oec. HSG — Mr. Fallegger began his career in 1991 in marketing with Procter & Gamble in Geneva, the UK, and Belgium. He joined Lindt & Sprüngli (Schweiz) AG as Marketing Manager in 1997. He was then appointed CEO of the Lindt & Sprüngli subsidiary companies in the UK and France. In 2009, he returned to Swiss headquarters and was a member of the Extended Group Management from 2011 to 2014. In 2014, he was promoted to member of the Group Management, where he is responsible for the development of specific markets and International Marketing.

Dr Adalbert Lechner (AT) PhD in Law — After receiving his doctorate in law, Mr. Lechner held several management positions in marketing and sales with L'Oréal and Johnson & Johnson. He joined the Lindt & Sprüngli Group as CEO of the Austrian subsidiary company in 1993. He has been CEO of the German subsidiary Chocoladefabriken Lindt & Sprüngli GmbH since 1997. He was a member of Extended Group Management from 2011 until 2016. As of Jan-

uary 1, 2017, he is a member of Group Management, where he is responsible for the development of specific markets and Global Retail.

Kamillo Kitzmantel (AT/CH) Mag. Handelswissenschaft — Mr. Kitzmantel initially held various positions with Fischer Ski, Johnson & Johnson and Bahlsen before joining Lindt & Sprüngli Germany in 1994 as Marketing and Sales Manager. One year later, he was appointed CEO of the Swiss subsidiary company, a post he held up to his retirement. He also took over temporary management responsibility for the Ghirardelli Chocolate Company in the USA and national responsibility for the Italian market. He became a member of Extended Group Management in 2011. In August 2012, he also assumed responsibility for Duty-Free, and for the Chocolate Competence Center in 2015. As of January 1, 2017, he became a member of Group Management. He retired on December 31, 2017 and stepped down from Group Management.

Alain Germiquet (CH) lic. oec. — Mr. Germiquet started his career in the Sales division of two notable mineral oil companies before joining Hiestand in 1999, where he was promoted from Marketing Director to Managing Director in a short time. In 2005, he became Commercial Director at Nestlé and in 2007, he joined Lindt & Sprüngli first as CEO of Lindt & Sprüngli UK and then as CEO of Lindt & Sprüngli France from 2009 to 2016. On January 1, 2017, he joined Group Management, where he is responsible for the development of specific markets and International Sales.

Guido Steiner (CH) Dipl. Lm-Ing. ETH — Mr. Steiner began his career as assistant at the Chair for Business Administration at ETH in Zurich. In 1990, he joined Lindt & Sprüngli as Assistant Manager Group Production Planning. Two years later he was promoted to Group Production Planning Manager. From 1998 until 2003 he was Vice President Operations at Lindt & Sprüngli USA. In 2003 he returned to headquarters as Vice President Operations. As of January 1, 2017, he is member of Group Management and continues to be in charge of Group Operations.

Group Management



Dr Dieter Weisskopf



Martin Hug



Andreas Pfluger



Rolf Fallegger



Dr Adalbert Lechner



Kamillo Kitzmantel



Alain Germiquet



Guido Steiner

Except for the above-mentioned assignments, members of Group Management are currently not involved in other major national and international management or supervisory bodies. They are not active in managing or consulting functions with major Swiss or international closely related parties, nor do they hold public or political office. There are no management agreements regarding management functions between the Lindt & Sprüngli Group and legal entities or natural persons outside the Group.

Number of permitted activities outside the Group

The number of mandates on senior management bodies and boards of directors of legal entities entered in the Swiss commercial register, or in a comparable foreign register outside the Group, is according to article 19, paragraph 3 item 2 of the Articles of Association restricted for members of Group Management. Such mandates are always subject to approval by the Board of Directors – to not more than two mandates in listed companies, five in non-listed companies, and fifteen mandates in other legal entities such as foundations and associations.

http://www.lindt-spruengli.com/fileadmin/user_upload/corporate/user_upload/Investors/AOA/Articles_of_Association_E_1.2.2018.

Compensation, Equity participation and Loans

→ Details Compensation Report see page 43

Shareholders' rights of participation

Restrictions of voting rights and proxy

The transfer of nominal shares and consequently the recognition of the buyer of nominal shares as a shareholder with voting rights, as well as the registering of nominees as shareholders with voting rights are subject to certain restrictions. According to article 3, subsection 6 of the Articles of Association in particular, the Board of Directors may refuse full shareholder status to a buyer of shares if the number of shares held by that buyer exceeds 4% of the total registered shares as entered in the commercial register. Details of restrictions placed on the transfer of registered shares and limitations of nominee registrations, the Group clause

included in the Articles of Association and the rules for granting exceptions, may be found on page 29 of this Annual Report and in the respective regulation of the Board of Directors “Registered Share and Shareholder Registry Regulations Lindt & Sprüngli AG”.

<http://www.lindt-spruengli.com/investors/corporate-governance/board-regulations/>

According to article 12, subsection 3 of the Articles of Association, no shareholder may combine, in the aggregate, directly or indirectly, whether with his own shares or with those voted by proxy, more than 6% of total voting shares when exercising voting rights at the General Meeting. Natural persons or legal entities, which are linked to each other either by number of shares, pooling of votes, or similar actions or are under common custody, are considered as one shareholder. In special cases, the Board of Directors may make exceptions to the voting rights restrictions. In the reporting year, the Board of Directors granted no such exception.

The voting rights restriction does not apply to the exercise of those rights by the independent voting rights representative and by shareholders with more than 6% of the voting rights whose names are recorded in the share register. Because the “Fonds für Pensionsergänzungen der Schokoladefabriken Lindt & Sprüngli AG”, “Finanzierungsstiftung für die Vorsorgeeinrichtungen der Schokoladefabriken Lindt & Sprüngli Aktiengesellschaft”, “Lindt Cocoa Foundation”, and “Lindt Chocolate Competence Foundation”, all Kilchberg ZH, have been entered as a group in the share register with a shareholding interest of more than 6%, the voting rights limitation does not apply to that fund.

A revocation of the statutory restrictions of voting rights requires a three-quarter majority of the votes represented at the General Meeting. Pursuant to Art. 12, paragraph 2 of the Articles of Association, a shareholder may arrange to be represented at the General Meeting by another shareholder or by the independent voting rights representative on the basis of a written power of attorney. A general instruction may be given for voting either on motions announced or unannounced in the invitation to attend.

Statutory quorum

The General Meeting passes its resolutions by an absolute majority of the votes represented, unless the Articles of Association, or the law, specify otherwise. According to Art. 15, subsection 3 of the Articles of Association, amendments of the Articles of Association regarding the relocation of headquarters, transformation of nominal shares into bearer shares, assignment of nominal shares, representation of shares at the General Meeting, amendment of Art. 15, subsection 3 of the Articles of Association, as well as the dissolution or the merger of the company require a three-quarter majority vote of represented shares.

Announcement of the annual General Meeting, agenda and share register

Shareholders are given notice by the Board of Directors at least 20 days prior to the date of the General Meeting via publication in the Swiss Handelsamtsblatt.

A shareholder whose name appears in the share register as owning at least 2% of the equity capital of the company may ask for an item to be placed on the agenda. The request for an item to be placed on the agenda – stating the matters to be discussed and proposals made – must be sent to the Board of Directors in writing no less than 60 days before the meeting. These requests for items to be placed on the agenda and the accompanying proposals must be placed before the General Meeting together with the Board of Directors' opinion about them. During the General Meeting, requests and justifications for items not on the agenda may be brought up before the meeting for discussion. A decision about these items, however, may not be made until the next General Meeting after review by the Board of Directors.

Requests made within the realm of the agenda items do not need prior announcement. In the invitation to attend the General Meeting, the Board of Directors indicates according to article 13 of the Articles of Association the cut-off date for entry in the share register, which entitles the shareholder to attend and vote.

Change in control and defensive measures

In the event of a change in control of the company, employee options granted can be exercised without regard to the three-to-five-year blocking period. The change in control measures are also applicable in case employees are leaving the company. Other than that, there are no special agreements concerning a change in control that would favor either the members of the Board of Directors, Group Management, or any other company management members. The Articles of Association of incorporation make no special provision regarding “opting out” or “opting up” pursuant to article 125 and 135 Finfra 6.

Auditors

Mandate

The General Meeting first appointed PricewaterhouseCoopers AG, Zurich, as its statutory auditor in April 2002. According to the Articles of Association of the company, the auditors must be newly appointed or confirmed each year at the General Meeting. The 2017 reporting year is the fifth year for Bruno Häfliger, lead auditor. Pursuant to the provisions of the Swiss Code of Obligations, the responsible lead auditor may not hold office for more than seven years. Bruno Häfliger will therefore not be allowed to serve as the responsible lead auditor after the end of the financial year 2019 at the latest.

Audit fee

The total audit fees billed by the auditing company in the reporting year 2017 were CHF 1.4 million.

Additional fees

The total sum of additional fees – mainly related to tax and EDP consulting – billed by the audit company in the reporting year 2017 totaled CHF 0.2 million.

Supervisory and controlling bodies

Supervision and control of auditors' performance is exercised by the whole Board of Directors. The Audit Committee supports the entire Board of Directors in this task. The committee also ensures that ongoing communication with the auditors is intact, regularly discussing results of audit activities in the areas of control and accounting activities, as well as suitability of the internal control systems with their representatives. Before the interim audit, auditors prepare an audit plan, which is then submitted to Audit Committee members. Based on an analysis of current business and audit risks, the main points to be audited are proposed in this plan. The audit plan is approved by the Audit Committee and then also by the Board of Directors. The appropriateness of the audit fee, as well as possible additional fees for "non-audit" services, are also reviewed on this occasion. The report on the final audit for the annual financial statement is dispatched to all members of the Board of Directors. It is first discussed in the Audit Committee with the auditors, then approved by the whole Board of Directors at the meeting called to adopt the Annual Report, in a circular resolution. In 2017, the auditors attended one meeting of the Audit Committee. Auditors' direct access to the Audit Committee is guaranteed at all times. Information about the organization and scope of duties can be found on page 35 of this Annual Report.

Shareholder information

Chocoladefabriken Lindt & Sprüngli AG issues business-related shareholder communications as follows:

Mid January	Net sales of the previous year
Early March	Income statement and full-year results
Early May	Annual General Meeting
End of July	Half-year Report

→ For details refer to "Information" on page 138

The statutory publication is the Swiss Handelsamtsblatt. Information about the company is also published and processed by selected media and leading international banks. All data about the business is also available on the company website. Company press releases can also be found on that website. For news and ad hoc communications, a push system is available on the company website.

 <http://www.lindt-spruengli.com/media/1/3/>

Interested parties can obtain a free copy of the Annual Report, as well as the Compensation Report of Chocoladefabriken Lindt & Sprüngli AG from the Group headquarters at Seestrasse 204, 8802 Kilchberg.

For further information, contact the Investor Relations Department of the Group on phone number +41 44 716 25 37 or via e-mail investorrelations-in@lindt.com.