



Sustainability Report 2019



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For a life full of flavour.

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Welcome to Paulig's sustainability report.

This report covers the sustainability work of Paulig in 2019. In the report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. For more information, please contact Paulig's Sustainability and Public Affairs Director Lea Rankinen: lea.rankinen@paulig.com.

CEO's review

“Sustainability has always been a part of Paulig's DNA and, as a family-owned company, we recognise the part we play in securing the future of food for the next generations. The food & beverage industry is a part of the global climate and health solutions and, therefore, we must reconsider how we grow, produce and consume food. Our role as an international food & beverage company is to inspire consumers with more sustainable choices that do not compromise taste or convenience.

When it comes to sustainability, it is essential to take a long-term view as issues are often complex and solving them requires systematic, multi-stakeholder work. It is particularly important if you want to see what the real impact of your sustainability efforts is.

We have achieved a lot in this area over the last decade, and I am very proud of the steps we have taken as a company. One of our biggest efforts has been in realising our goal of sourcing all of our green coffee beans from verified sustainable sources. We achieved this goal in 2018 after four years of hard work and became one of the first large roasteries in the world to exclusively use sustainably sourced coffee beans.

What makes me most happy, is that by committing to long-term sustainability work in our supply chain, we have been able to make a difference in the lives of more than 100,000 coffee farmers in the origin countries. Having visited many countries of origin makes me believe that by acting responsibly, committing to long-term development and working together with our suppliers, we can have a huge positive impact not only in coffee but also in other value chains, like spices.

For us it's equally important to work with sustainability at home as well as in the origin countries of our raw materials. As a business, we want to look ahead and contribute to the wellbeing of society as a whole. That is why children and young people have always been at the heart of our corporate social responsibility initiatives. In February 2019, we launched our collaboration with the SOS Children's Villages charity in Finland.

The collaboration is an opportunity for us to build a better future for families and children. The first year of the collaboration has gone extremely well and we are proud to be involved in building wellbeing for future generations together with our Paulig employees.

By highlighting the big efforts that take time and resources, I do not mean that the smaller, everyday actions would not count. On the contrary, small streams turn into a big river and it is essential that we explore every opportunity and engage everyone to think about new, more sustainable and efficient ways of working. For example, the commitment our employees have shown in improving the occupational safety of Paulig as a workplace makes me very glad. We have made significant inroads in all aspects of this, be it in the number of risk observations, the number of near misses or the number and severity of accidents.

In 2019, Paulig set a strategic ambition to be a sustainable frontrunner within the food & beverage industry. To achieve the ambition we created a new, long-term sustainability approach. Our new sustainability focus areas and ambitions set a clear direction for Paulig and all its brands in this decade. The Paulig Sustainability Approach 2030 is based on selected United Nations Sustainable Development Goals (SDGs) and it will be integrated with the company's growth strategy and business operations across Paulig.

In our new sustainability approach, we have set the bar high and to achieve our goals, we need to work together with all our employees, customers and partners across the value chain. We believe that in this way we can achieve a real positive impact in the food sector and enable more sustainable choices for all consumers and customers. We strongly believe the whole industry should do the same and we invite others to join us on this journey.”



Rolf Ladau, CEO, Paulig Group



Highlights 2019



Social responsibility

At the turn of 2019, we reached our target of **100% of our coffee** coming from sources verified to be **sustainable**. This means that all the coffee we buy is either certified (UTZ, Fair Trade, Organic) or from our verified partnership programmes. During 2019, we wanted to further develop our way of working and conducted independent third-party sustainability auditing of our non-certified partnership programmes.

In the area of employee health and safety, we have gained a remarkable increase in the number of risk observations, and a clear trend of a reduced number of near misses at our sites. We have also managed to **reduce the number of accidents and lost days**, and thus the severity of accidents, remarkably. During 2019, we have continued working with the "FeelGood@Work" programme to support the physical, mental and social wellbeing of all our employees.

We started as the main partner for the **SOS Children's Villages** charity in Finland in 2019. SOS Children's Villages works with some of the most vulnerable children and young people and offers support to families both in Finland and around the world.



Environment

As part of our new, long-term sustainability approach, we did a thorough analysis of our climate impacts across our value chain to understand where we should focus the efforts to combat climate change. In early 2020 we committed to set a science-based target through the **Science Based Targets initiative**.

In 2019, we continued with focusing on packaging innovation to reduce the environmental impacts of our products. Santa Maria tortillas were launched in a new more **environmentally friendly package**, due to which we are able to save 150 tonnes of plastic. In coffee, we continued with introducing more renewable materials to our coffee packages, and thereby reducing the carbon footprint of our coffee packaging by one third.



Consumers' health and wellbeing

During 2019, we finalised a vast internal feasibility study to understand what areas within sustainability we need to focus on in the product development, as we strive to provide more and more **sustainable products for every table**.

The demand for **plant-based proteins** and products that are **good for people and planet** saw a strong worldwide growth in 2019. Our Pulled Oats was put on the menu in all of Spain's Taco Bell restaurants and was launched as a retail product in Germany. In spring 2019, Pulled Oats Nude was also granted the Heart Symbol in Finland, which indicates that a product is a better option for health.

Managing Sustainability

In 2019, Paulig set a strategic ambition to be a sustainable frontrunner within the food & beverage industry. To achieve the ambition we created a **new, long-term sustainability approach** to be implemented as part of our strategy and business operations that will set the direction for the company for the years to come.

In the process of creating the new sustainability approach, we also **identified the three main UN Sustainable Development Goals** for Paulig: Decent work and economic growth, Responsible consumption and production, and Climate action. These goals, that we have recognised as the most relevant, are further emphasised in our sustainability work and we are committed to promoting them throughout our value chain.

Areas for improvement

Leading sustainability towards common goals

Paulig Sustainability Approach 2030, which was approved in February 2020, is the first group-wide sustainability strategy for the company. It brings together our employees, brands and operations across 13 countries and enables leading sustainability towards common goals. To enable this, we need to integrate the new sustainability approach with our strategy, operations and business planning, create common roadmaps for each focus area, and develop new governance model and performance indicators for sustainability. We will also focus on building more systematic ways of working with our key stakeholders.

Reducing our carbon footprint

We have committed to setting science-based targets for our climate work and, as part of this work, we have gained a good understanding of the measures that we would need to take in order to reduce the carbon footprint of our own operations and value chain. We must continue to do systematic work to increase the share of renewable energy and improve the energy efficiency at our factories as well as develop our capabilities in carbon and water footprint calculations, for instance. We will also start working with the current suppliers and partners to adopt sustainable farming practices, look for new raw materials and partners, as well as search for new business models that further support the circular economy.

Towards renewable and recycled packaging materials

We are continuously developing more and more packages made from renewable or recycled materials and packages that are recyclable – without compromising on quality or increasing the risk of food waste. Changing packaging materials is a long process that involves the whole value chain from sourcing to production and product development.

Being a fair partner

All Paulig's coffee is already 100% verified sustainable, and we have been able to make a difference in the lives of 100,000 coffee farmers in the origin countries. We are committed to extend this work to cover other raw materials so that 100% of raw materials from high-risk areas come from sustainable sources verified by external parties by 2030. We will focus on more systematic due diligence processes to continuously map and evaluate environmental and human rights risks in our supply chain. We will collaborate together with our suppliers, find partners that can help us manage these risks, and seize the opportunities to create positive impact.

Our goal is to have zero accidents

During recent years, we've had a significant increase in risk observations, and there were over 3,100 observations recorded in 2019. In order to build a strong and proactive safety culture at Paulig, safety is and will be of special focus in the upcoming years.

A year of changes

After a year marked with significant internal changes due to the renewal of the Paulig operating model, we are still in the process of rolling out and deploying our new ways of working. We shall keep supporting all Pauligians in this change and engage them in the development of our culture.



About Paulig

We are a family-owned, international group in the food and beverage industry; founded in 1876 and noted for our high-quality products such as coffee, food concepts, spices, plant-based products and snacks. Our portfolio includes strong brands; Paulig, Santa Maria, Risenta, Gold & Green and Poco Loco.

Our business is divided into four Business Areas: Finland & Baltics, Scandinavia & Central Europe, East and Customer Brands. Our products are sold in over 70 countries. Currently, 54% of the sales are in the Nordic countries and 46% in other markets. The company is headquartered in Helsinki, Finland.

In the end of 2019, we had 2,223* employees in 13 countries and the revenue for 2019 was 921 million euros.

* This figure includes active and inactive employees of all Paulig companies where the group owns at least 51% of the shares.

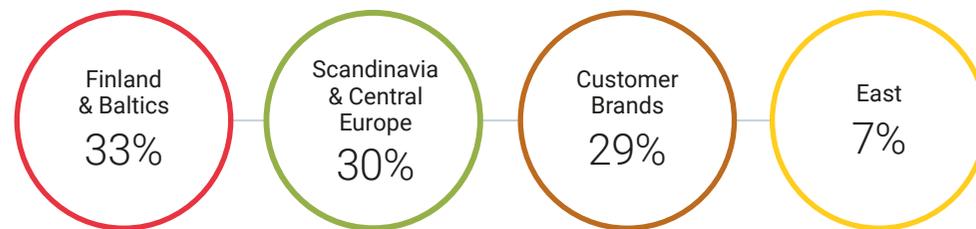
The economic impacts of Paulig

We operate globally, and we have direct and indirect financial impacts on economies we operate in.

Direct impacts include purchases of goods from suppliers,

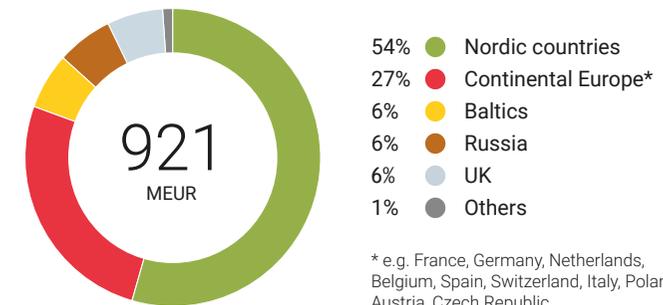
wages and benefits paid to the employees, dividends paid to the owners and shareholders, and income taxes paid to the public sector. We also contribute indirectly to the economy in many ways. Our biggest indirect impacts relate to the supply chain. We purchase a substantial amount of raw material from developing countries, thereby creating business and job opportunities along the supply chain. We collaborate actively with our partners and other operators to enhance sustainable farming practices and better business skills in the countries of origin.

Revenue per Business Area



1% of the revenue comes from outside our Business Areas.

Revenue per market, 2019



Economic value created and distributed 2019, MEUR



Our tax payments

In 2019, the direct income taxes paid were EUR 17 million, of which approximately 51% was paid in Finland, 34% in Belgium and 15% in other countries we operate in. In addition to direct income taxes, we contribute to society in the form of pension and social security contributions, payroll taxes, value-added taxes, sales taxes, customs duties, excise, real estate and environmental taxes. At Paulig, we pay and collect these taxes following the applicable rules and regulations. Payroll-related tax payments and VAT make up most of our tax footprint.

About our tax strategy

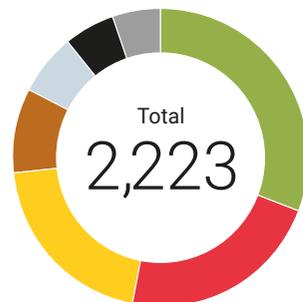
Our principle is to pay the right amount of tax legally due in the right jurisdiction. We observe all applicable rules and regulations in all the countries we operate in and follow the rules set by the appropriate authorities. Our transfer pricing is based on the global Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by the OECD. We also follow the development of local transfer pricing rules and regulations and adopt localised policies if necessary. Our tax planning is aligned with business models and we consider taxes as one element in decision making. Business or location planning is driven by sound commercial needs. >> [More information about our financial figures and corporate governance can be found in the Paulig Annual Report.](#)

Operations in 13 countries

- sales
- production



Personnel by country 31 December 2019



687	● Belgium
496	● Sweden
448	● Finland
206	● Russia
146	● Estonia
121	● United Kingdom
119	● Others*

* Lithuania, Denmark, Latvia, Norway, the Netherlands, France

Male

56%



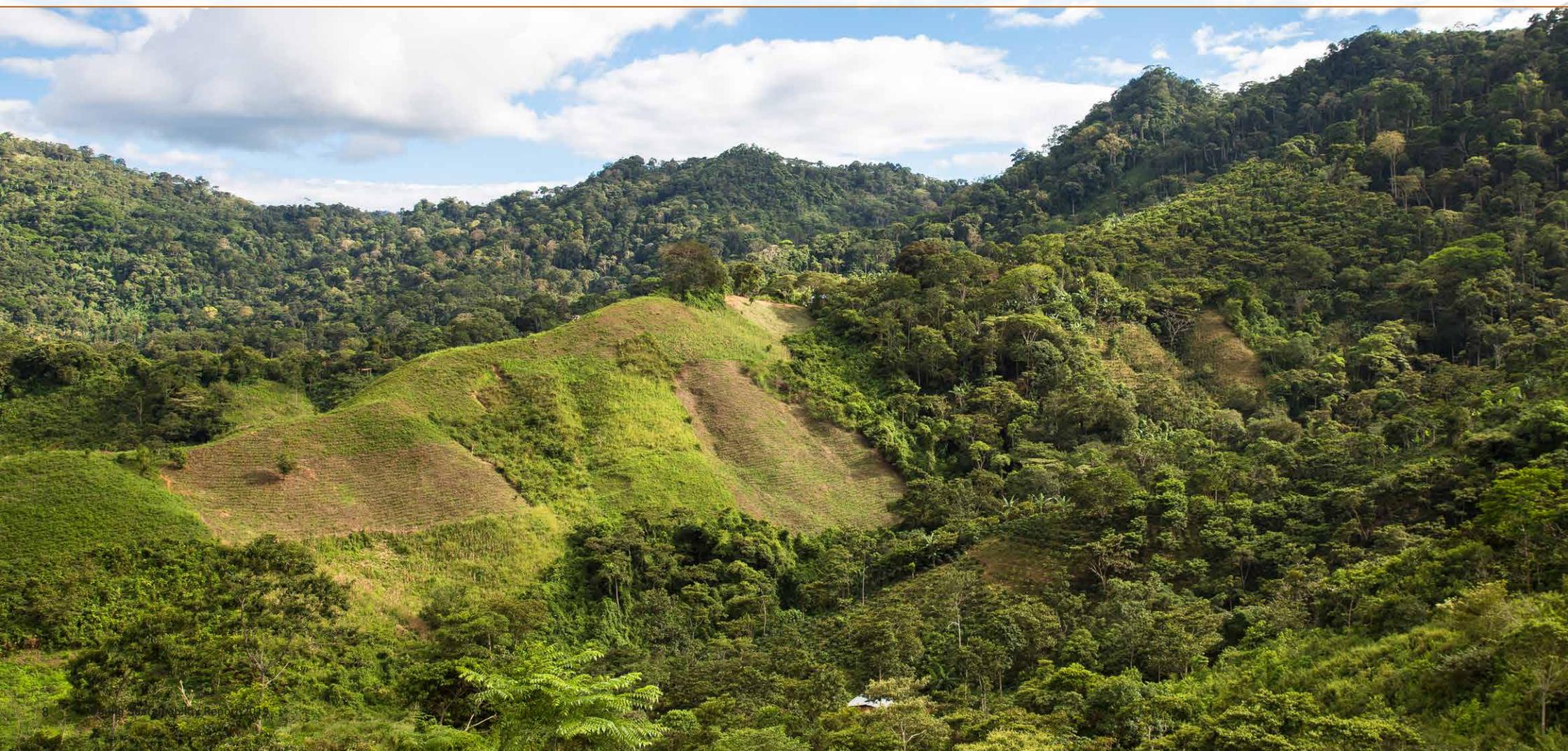
Female

44%



Sustainability at Paulig

Within Paulig, the commitment to high quality and the long-term perspective of our role in society have been a part of our way of working ever since 1876 when Gustav Paulig founded the company. Our business is based on natural ingredients and our supply chains are global. Our future success will only be possible if the wellbeing of people and the planet throughout the value chain are taken care of.



Key areas in our sustainability work

Our sustainability work focuses on the areas which are important to our stakeholders, society and the environment and where we can have the greatest positive impact or minimise our negative impacts through our own actions and collaboration. They are aligned with the global Sustainable Development Goals of the United Nations.

Our sustainability focus areas in 2019 were:

1. Fostering social responsibility

- A good and safe workplace for our employees
- Social responsibility in the supply chain: human rights, workers' rights and labour conditions

2. Caring for the environment

- Climate action
- Resource efficiency with focus on waste and packaging materials
- Environmental sustainability in the supply chain and sustainable agriculture

3. Supporting consumers' health and wellbeing

- High quality and food safety
- Consumers' health and wellbeing
- Sustainable consumption: certified or sustainably verified raw materials and products

Developing a new, long-term sustainability approach

In the last few years, we have taken determined steps towards more sustainable food system in our various product categories and operating countries. In 2019, Paulig set a strategic ambition to be a sustainable frontrunner within the food & beverage industry and to achieve that, we created a new, long-term sustainability approach to be implemented as part of our strategy and business operations across Paulig categories and countries. The approach was approved by the Paulig Board in February 2020 and launched shortly after. Our sustainability report 2020 will be based on the new approach.

The new Paulig Sustainability Approach 2030 is based on three prioritised United Nations' Sustainable Development Goals: Decent work and economic growth, Responsible consumption and production and Climate action.

Our new sustainability approach has three focus areas with long term ambitions: health & wellbeing, climate action and fair and inclusive way of working.

As part of our sustainability approach we have also committed to setting science-based targets and we expect to get them validated by the Science Based Targets initiative during 2020.

Our strategic ambition is to be a **sustainable frontrunner** within the food & beverage industry.





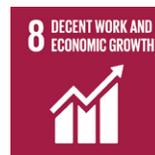
Commitment to UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) for 2030 are a globally recognised framework for sustainable business development and they address the global challenges that we all face around the world. In committing to the UN Sustainable Development Goals, we recognise the impact and role we play in helping to achieve these global goals. As a global food and beverage company we can contribute most to the societies and the health and wellbeing of people and planet through our value chain. In our new sustainability approach, we have identified Responsible consumption and production, Climate action and Decent work and economic growth as the areas where we have the biggest impact. We are committed to work for these goals in our value chains and together with our stakeholders in the long term to achieve a bigger and better impact.

We recognise the role we play
in reaching the global Sustainable Development Goals.

Decent work and economic growth

Paulig can contribute positively to people's lives and communities by maintaining high standards when it comes to human rights in the value chains and wellbeing of our personnel. We can create the biggest impact by ensuring that in our supply chains our partners respect human rights. Through different partnership programmes and stakeholder engagement, we help producers and farmers to increase the profitability and thereby promote the economic growth and wellbeing of their communities.



Responsible consumption and production

Responsible consumption and production is a key area where we can have the biggest positive impact on the health and wellbeing of people and planet through our products and services. We work with our suppliers to build responsible value chains and make sure our products are safe, good quality and support healthy and sustainable diets. We can also inspire consumers by offering more sustainable solutions.



Climate action

Paulig's climate impact is evaluated both in our own operations and for the whole value chain and the biggest impact is in our supply chain. We are committed to set science-based targets through the Science Based Targets initiative. We are not only aiming to reduce emissions but also assessing the climate risks. We can mitigate the climate risks by working closely with farmers to help them adapt to climate change.



Managing sustainability

Our sustainability work is based on Paulig's common values, purpose and guided by management systems, ethical principles and the Paulig Code of Conduct for Suppliers.

Ethical and sound practices

To preserve our valuable assets, strong brands and customers' trust, we are committed to a highly ethical and sustainable way of operating. Our sustainability work is based on Paulig **common values** and **ethical principles**.

Our daily work is guided by common policies and local management systems:

- **Paulig Corporate Governance**
- **Paulig Code of Conduct for Suppliers**
- Paulig Enterprise Risk Management Policy
- **Paulig Modern Slavery Statement**
- Environmental, Food safety and Health and Safety management systems >> **Page 50**.



Reaching high targets to become a sustainable frontrunner

“ Now, we have set the bar high with our new, long-term Sustainability Approach 2030. The new approach does not turn our sustainability work upside down but recognises also the value creation and efficiency opportunities related to sustainability and sets our ambition level much higher across product categories and countries.

Reaching our target, becoming a sustainable frontrunner within food & beverage industry in ten years, requires a lot of determination and hard work. Sustainability shall be fully integrated into our strategy and business operations and embedded in our way of working throughout the company. I believe that this work will inspire and unite us as well as boost innovation and future growth for Paulig.

While defining the first group-wide Sustainability Approach at Paulig, we evaluated carefully both risks and especially opportunities along our value chain. We analysed our climate impacts to understand where we should focus the efforts. And we identified great opportunities in enabling healthy and sustainable lifestyles with our plant-based portfolio.

We need engaged partners and a lot of collaboration in our value chain to reach our ambitions. That is why we feel that the genuine sustainability ambitions should and must be communicated proactively. As they act as an open invitation; invitation for partners and Pauligians to work together to find solutions, innovate and develop toward the goals that help us to build a more sustainable food system for the benefit of all. ”

Kaisa Lipponen,
Senior Vice President, Communications & Sustainability



Sustainability in Paulig's organisation

At Paulig, the ultimate responsibility for our sustainability work belongs to the Paulig Leadership Team and the work is led by the SVP Communications & Sustainability. The CEO and the Board of Directors review and approve the policies and main sustainability initiatives and goals.

The Sustainability team, headed by the Sustainability and Public Affairs Director, leads our actions towards our strategic ambition to become a frontrunner, identifies priorities, sets clear roadmaps, monitors implementation and measures impact. They are also responsible for internal consulting, stakeholder management and reporting.

Continuous sustainability work is embedded in the Paulig Business Functions and Business Areas.

High standards for ethical behavior

Paulig strives to achieve transparency and a high level of ethics. Averting corruption, bribery and conflicts of interest are part of our Ethical principles launched in 2013. The ethical principles training is part of the induction and thus compulsory for all the employees.

Our Code of Conduct for Suppliers addresses anti-bribery and corruption and these topics are part of sustainability audits. Our people working in sourcing, quality management and sustainabili-

ty functions are trained to ensure consistent evaluation of the social and environmental work of Paulig's suppliers.

In addition, we have a whistleblowing tool for our employees to raise possible concerns about our practices. The whistleblowing channel is offered in six languages and the reporting is anonymous. The possible irregularities or misconduct are evaluated and investigated and the cases are handled by Paulig's whistleblowing team. During 2019, a few notifications were received through the channel and those were processed according to the planned procedure.

Our Values

Stay Curious

Strive for Excellence

Grow Together



Managing sustainability opportunities and risks

Enabling sustainable lifestyles

Good governance and ethical practices, as well as a more sustainable offering, pose great opportunities for us, both in terms of increased consumer preference and good reputation. Consumers are increasingly making their choices based on their values and ethical principles and with our sustainable product portfolio and inclusive and fair way of working, we are part of enabling sustainable lifestyles. We strive to develop our existing products in a healthier and more sustainable direction as well as to innovate new products and services which respond to the growing interest and demand of the consumers.

Inspiring consumers to switch to the planetary health diet

An increasing number of people want to move towards a more plant-based diet which poses an opportunity for us as Paulig's product portfolio is almost 100% plant-based today. With our plant-based Pulled Oats®, TexMex and Spices portfolios we can inspire consumers to move towards a more plant-based diet, which is good for both people and the planet but does not compromise taste or convenience.

Attractive partner and employer

We believe that sustainability is about dialogue, continuous cooperation and respect for all parties in the value chain. Only by collaborating with and engaging our stakeholders can we address the sustainability challenges and find solutions benefiting people and societies on scale, as well as improving the prospects of our business. Our reputation as a values-based company with a fair and inclusive culture brings benefits to us when attracting new customers, partners and employees.



The scope for Paulig's sustainability work: value chain





Managing sustainability opportunities and risks

Safe and sustainable products

As a food company, the biggest sustainability risks in Paulig's operations are related to product safety and quality, in particular if linked to negative consumer health consequences. We assess these risks proactively as well as sample and analyse incoming raw materials, which allow us to ensure that our raw materials and products meet our high requirements for quality. In addition to product quality, our long and complex supply chains contain challenges. Despite the efforts to source responsibly, there is still a risk of human rights impacts on local labour and adverse effects on the environment and for our reputation and customer loyalty.

Climate change and the loss of biodiversity

In the wider perspective, climate change is the greatest risk from a variety of dimensions, in particular for the agriculture of sensitive crops, such as coffee crops. As a result of climate change, the evolving and extreme weather conditions such as drought, heavy rains and heat waves as well as progressing water stress and decreasing biodiversity may cause severe impacts on the farming conditions and availability of our important raw materials. We are focusing our activities on promoting responsible sourcing and supply including sustainable farming practices, efficient usage of resources in our own operations, and supporting consumers' efforts to mitigate their environmental burden.

Respecting human rights

We are committed to respecting all internationally recognised human rights. Our most significant sustainability risk is related to supply chain human rights risks such as fair remuneration, excess working hours, forced or child labour and discrimination. Production of some of our raw materials such as coffee and spices often relies on low-skilled, seasonal and migrant workers, which can further increase the risk of modern slavery. We have zero tolerance regarding any violations of human rights.

For Paulig, it is important to thoroughly understand our own impacts on human rights, and how to approach and manage the risks. This work, including developing our human rights due diligence processes, will continue to be of special focus for Paulig.

Work safety

Employees' health and safety is of high importance to us. In improving safety and averting risks, a proactive and preventative approach is the most relevant tool. This includes, for example, continually increasing our employees' safety awareness, assessing and observing risks systematically, and inspecting and auditing our safety practices. We are happy about the positive trend in health and safety of our employees, but also acknowledge that this area must be a high priority focus for us also in the future.

Continuous dialogue with our stakeholders

Having an active dialogue and collaboration with various stakeholders and understanding their views, concerns and expectations help us to prioritise our sustainability work and focus our sustainability communications. Our principle is to answer all inquiries from media and other stakeholders.

“ Paulig is working hard to improve farmers' conditions and maintain coffee varieties despite climate change. ” *Consumer about Paulig coffee*

Questions vary from product quality to the countries of origin

Many of our stakeholders are interested in health and well-being aspects and the origin of our products. For instance, we receive questions regarding the ingredients such as added sugar and salt in products. As spices and coffee often come from the developing countries, our work in the countries of origin, respecting human rights, carbon footprint and biodiversity are key topics of interest. Consumers are also interested in knowing whether there are insecticides or pesticides used in the farming, or how to recycle our packaging.

“ Quality. A well-known company that takes good responsibility. ”

Consumer about Santa Maria

We serve consumers together with our customers

We collaborate closely with our customers and together we explore new sustainable solutions. As an example, we had a circular pilot with the retailer Kesko and the design house Globe Hope where we collected empty coffee packages and turned them into bags and accessories. >> **Read more about this initiative on page 37.**

Collaboration also plays a key role when things do not go as expected and we must recall or withdraw our products. These incidents of course raise questions among customers and consumers.

“ Paulig has a positive brand image within Finnish society. They have been around for a long time and are taking responsibility within their sector. ”

Consumer about Paulig coffee

Media raises topical issues

Media helps us to talk about topics that are of interest. Journalists have been asking us, for example, how Tex Mex entered in Sweden and how it has evolved. Packaging has been a big topic in the public discussion and media are interested in our packaging development. We are happy to share information about sustainable materials and recycling with our stakeholders.



“ They have good products, good quality and vegetarian options that benefit the environment. ”

Consumer about Santa Maria

It is all about people

Our owners have a long-term interest in doing business in a way that respects natural resources, the environment and human rights. They want to leave a sustainable business for the next generations. That is done via responsible work throughout the whole supply chain, taking care of our own personnel as well as caring for the whole lifecycle of our products.

As we do not operate as an island isolated from the society, we want to play an active role there. Throughout our history, we have built a better future for the younger generations and we are still today committed to that goal and many of our social responsibility actions are focusing on children.

Please find the answers to these stakeholders' questions in our report

TOPIC	PAGE
Healthy and safe workplace	18–24
Sustainable sourcing and supply chain / Countries of origin	25–28
Social contribution cases	29–30
Environmental impacts	32–33 & 37–38
Waste, recycling and sustainable packaging	34–36
Supporting health & well-being via our products	40–42
Food safety & quality / recalls	43–44

Consumers' top 3 expectations for the sustainability work in our:

Food category

1. Using local ingredients whenever possible
2. Reducing the environmental impact of our packaging
3. Reducing food waste



Spices

1. No chemicals in spices
2. Working conditions in the countries of origin
3. Minimising the use of palm oil



Coffee

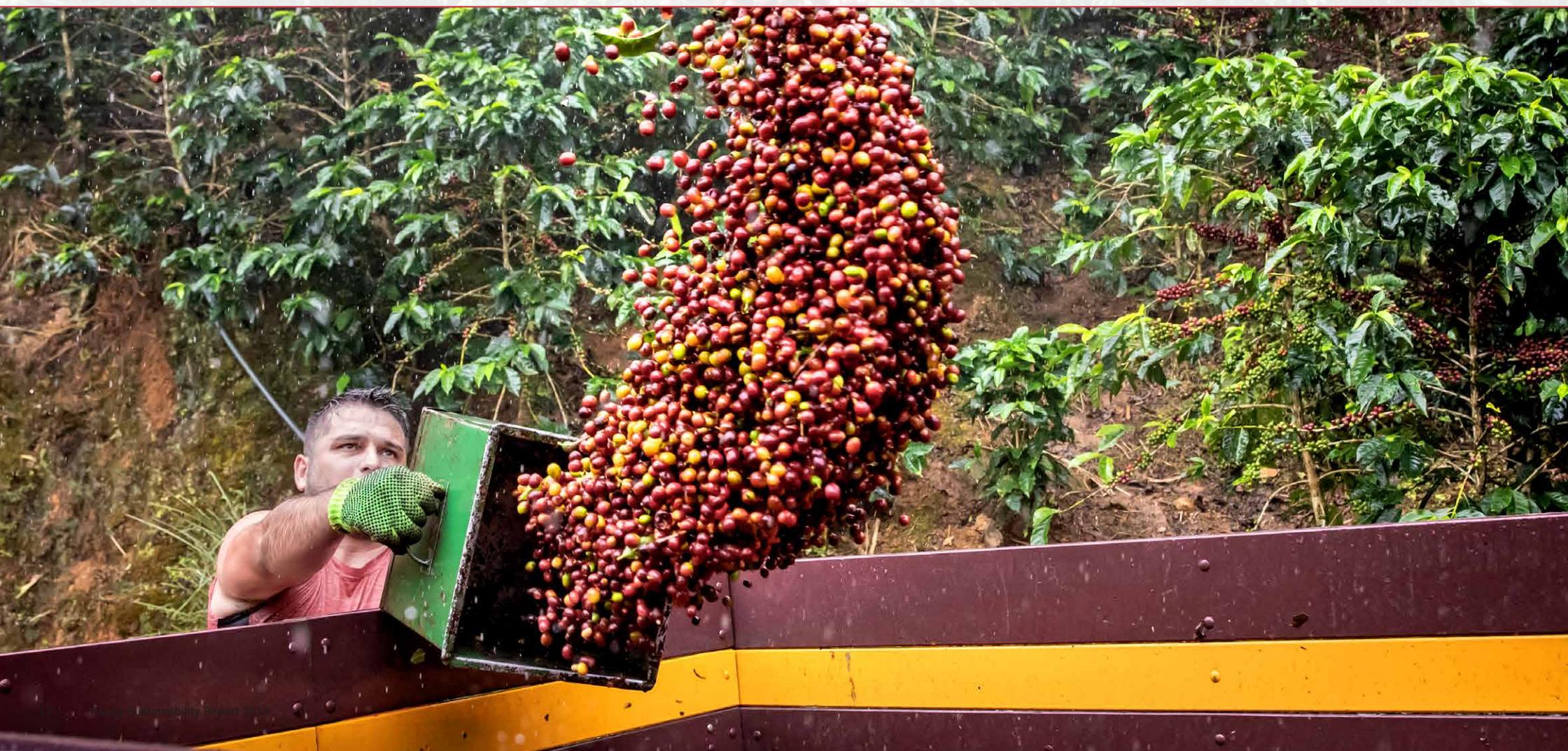
1. Protection of rainforests
2. Decent working conditions for the farmers
3. Educating coffee farmers with sustainable agricultural practices



1

Fostering social responsibility

For us, social responsibility means contributing to people's wellbeing both in-house and in our supply chain. We want to build an engaging work environment with a culture that strongly supports safety and wellbeing at work. In our supply chain, we enhance social responsibility through our responsible sourcing practices.



A good and safe workplace for our employees

At the end of 2019, we employed 2,223 professionals* in 13 European countries. About 47% of our employees work in production – in Finland, Sweden, Russia, Belgium, Estonia and the United Kingdom.

Within Paulig, we strive for shared human resource management and processes throughout all countries and locations we operate in. For us, good leadership, competence develop-

ment, employee engagement and health and safety as well as equality form the basis for a good workplace. It is also about a common working culture that nurtures growth, exploration and productivity.

* This figure includes active and inactive employees of all Paulig companies where the group owns at least 51% of the shares.

A year of change

“Wow, the year 2019 was an intense one. First, we planned an organisational change, then implemented it. Now, we have the most important phase of the change rolling, thus being close and supporting everyone to make the new operating model and ways of working reality.

The change emphasises the importance of clear and consistent communication, as change always creates uncertainty and confusion within an organisation. We wanted to keep the period of uncertainty as short as possible, and thus had a rather tight timeline for all the needed negotiations.

At Paulig, we put a lot of effort into communicating the case for change. Without a clear Why the change is done, it is challenging to accept and adapt to the change. Naturally, we understand it takes it takes different times for individuals to fully embrace the new, and to find their new places, roles and responsibilities. That is why, we have carefully measured and continue to measure the pulse of the organisation in order to pay attention to friction points and act upon the issues quickly.

The change is still ongoing, but we are making a good headway. We decided to change in order to ensure Paulig's viability in the long-term perspective, and and we have already discovered things that we wouldn't have ever noticed in the old operating model. This is a promising path to continue on. ”

Anu Pires, Senior Vice President, Human Resources



Unleashing our full potential

Year 2019 marked significant changes for us due to the renewal of our whole operating model to boost our growth and develop both our business and ways of working. The new operating model was launched in June 2019. We operate now in geographically organised business areas offering the full Paulig portfolio instead of category-based divisions.

The need for the change was clear as we wanted to unleash our potential by using resources where they are best used and harmonise the way we do business. We were great at many things, but also somewhat stuck in our divisional silos, which hindered us from reaching our full potential through co-operation and sharing our knowledge, ideas and best practices. We planned the new model carefully to ensure the best possible operating model and organisational structure that supports synergies, capability building and growth.

Now, with the new operating model, we have set up the frames for common management and processes, and we work to harmonise our ways of working throughout the company.

In the time of the major changes that we are in, the main tools to get through are clear and consistent communication as well as staying close and supporting people to adapt and find their places in the new structure. We strive to build an organisation with deeper collaboration and with various touchpoints to support everyone's work and development.

Redundancies are never easy but sometimes a necessary part of renewing business. In the co-operation negotiations involving all office and managerial employees, the final headcount reduction ended at 71 persons. We managed to end with a number

**Via the
Change Pulse,**
we survey employees' views
and recommendations.



clearly lower than originally estimated, a maximum of 120 people, due to alternative solutions such as retirements, fixed-term contracts coming to their term and resignations. For those who had to leave, we offered redeployment support, as well as broader financial support in addition to statutory compensation.

Later, in the autumn 2019, after evaluating various alternative solutions, the production and warehouse of Risenta products in Stockholm were relocated to the Mölndal factory and Kungsbacka distribution centre in Sweden. We provided all employees in Stockholm the opportunity to relocate to our Mölndal factory or Kungsbacka warehouse. No one accepted the offer and we understand the rather long distance between the old and new factories.

Measuring the pulse of our organisation

After the change, we still are in the process of fine-tuning our new organisation and ways of working. To keep up with how the

change is evolving and has been adapted, we need to measure the pulse of the organisation to react faster and take the needed actions together.

So, instead of a once-a-year employee engagement survey, we launched a Change Pulse survey for white-collar employees who were affected by the process most. The survey provides us a valuable channel to more frequently hear and assess the level of personnel satisfaction, motivation and commitment. Moreover, it gives everyone a genuine opportunity to express their view and recommendations for actions.

We use an artificial intelligence to analyse the results. The value of having short pulses frequently results from the trend data which we obtain after a couple of surveys. In addition, we are able to observe better and steer faster the direction we are going as well as identify any new emerging issues we need to solve in our journey towards becoming a unified company. In 2019 we had

two surveys; in August and in November. The plan is to continue about once a quarter during the first part of 2020, and then further evaluate the suitable surveying methods to be deployed.

The results from the two first pulse surveys proved that we are on the right path, even though there is still a lot to do regarding the new ways of working. Over 4,000 messages received from the first and some 3,700 from the second survey guided us to pay attention to the most important and urgent topics. The average of all scaled questions (1 strongly disagree/5 strongly agree) has increased from 3.6 in August 2019 to 3.8 in February 2020. Based on the results, we are especially focusing on cross-functional collaboration. The results were shared and discussed in teams right after each survey to initiate the needed actions.

Leadership in focus

Leadership skills are a key factor for the success of the entire organisation. For several years, we have been running the Paulig Way Leadership Experience development programme with the purpose of empowering managers to explore and innovate bravely, and to be able to coach and lead performance. As a natural choice, and to ensure the successful accomplishment of the organisational change, the focus of the leadership training in 2019 was on leading change.

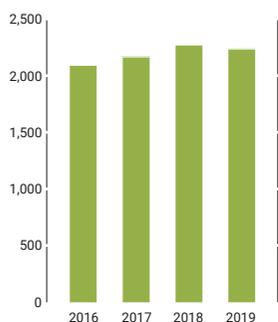
To support that, we kicked off a specific Collaborator training programme, which was designed for Paulig leaders to strengthen their capabilities in leading people in change. The Collaborator programme aims to accelerate and encourage the shift from an independent to an interdependent mindset, and enable fluent collaboration and decision making in the new matrix organisation. Almost half of our leaders (109 persons) participated in the programme in 2019.

In addition to the reinforced leadership skills, the concrete result stemming from the Collaborator programme was the Paulig Leadership Principles – Collaborate for success, Dare to trust, Choose impact over comfort and Consumer first. The principles were carefully defined during the programme and launched right after. The purpose of these principles is to guide and support all Pauligians in our daily work and in any leadership or influencing situation. Furthermore, the principles are to guarantee a unified leadership and collaboration culture in Paulig, and they will be utilised and deployed further in the daily leadership and coaching work.

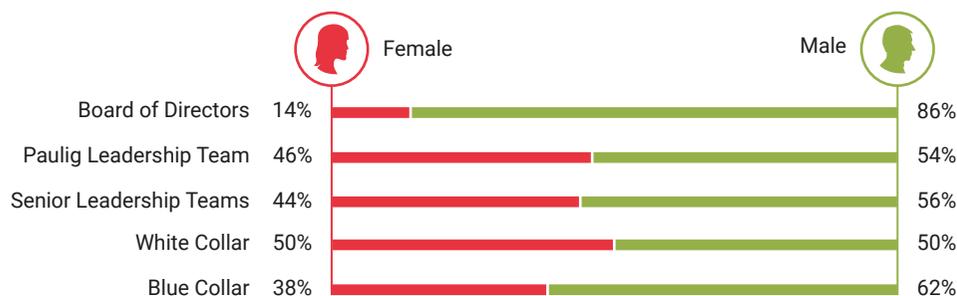
Besides the common programme, various local programmes were initiated to embed the leadership skills into practice. For example, in Russia there were four different programmes started, such as building the sustainability culture and increasing employee engagement in social projects.



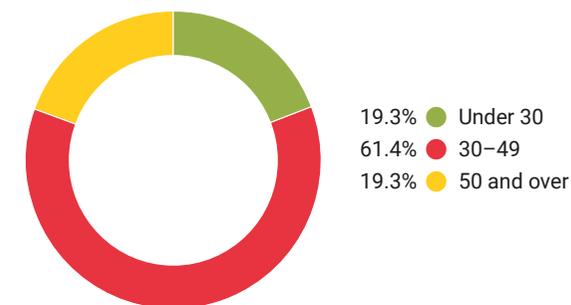
Paulig Group personnel 2016–2019



Gender by position 2019



Age groups



Workplace and culture

We consider engaged employees the most important ingredients when building our company's success. We are strongly committed to bringing out the best in people, thus giving everyone the opportunity to unleash their potential and to contribute to our future success. We want to ensure that newcomers feel at home right from the start and get well integrated into their teams. For this, we have launched a specific onboarding programme. During 2020, we will further develop our performance and development management model with focus, for instance, on supporting employee engagement.

Our onboarding starts with a welcome video from our CEO:

>> [Watch the video](#)

Moreover, we continuously work to strengthen employees' capabilities and competences through training and on-the-job learning. We offer a number of development programmes and training opportunities, and run internal educational programmes such as Taste Academy and Bean Society. In order to harmonise our ways of working and to ensure both physical and cyber safety, we provide safety training as well as mandatory e-learning modules for information security and awareness.

Forum for two-way dialogue across Europe

Paulig EuroForum (European Works Council) serves as an important information and consultation body in strengthening our common identity and culture. With EuroForum we aim to ensure a good two-way dialogue between employees and top management. In the EuroForum meetings, the representatives can share employees' expectations and discuss the current topics with top management. The issues raised are investigated and, where possible, they also result in changes. For example, in the EuroForum the concern was raised that some of our production locations were lacking a store for employees to purchase our products. We are now investigating the possibilities during the first quarter of 2020.

We value every person as they are

In Paulig, we value every person as an individual and a professional, and expect the same from our suppliers and partners. The driving principles of our management and remuneration are equity

case

Studies at coffee university

R&D Manager of Coffee, **Hanna Talvioja** sought new insights and learnings of coffee at the **Ernesto Illy International Master's Program in Trieste, Italy.**

During her five months of studies, the topics covered the whole spectrum of coffee, from genetics, botany and cultivation techniques to processing, climate change, as well as risk management from the buyer's and seller's point of view and the world coffee trade.

"The coffee world is evolving at a fast pace. Although coffee is grown in countries where the administrative infrastructure is still struggling, there is an incredible amount of desire, skill and will to develop both coffee as a product and work around coffee. The zeal of these factors is contagious. At least my faith was strengthened: coffee still has a future and it is amazing to be part of the global network of coffee!" Hanna describes.



Value Heroes live and breathe our values

Our culture is based on our three values; Stay Curious, Strive for Excellence and Grow Together. They guide how we think and behave, and also influence the way we make decisions, both as individuals and as an organisation.

These values were found by a group called Culture Explorers and published on March 7th, 2012. Therefore, we celebrate the value anniversary every year at this time – March 7th. One of the original Culture Explorers tells the story of finding our values: >> [Watch the video](#)

Since the first Value Day, we have recognised and awarded individuals who live up to the values in their daily work. Earlier, we nominated and celebrated our Value Ambassadors. Now, we have renewed the process and launched a campaign where we looked for value stories and Value Heroes behind the stories. The nomination is open for all employees and we were looking for everyday heroes who prove that we at Paulig live our values.

The winners of the Value Hero campaign were published during the Value Day in March 2020.

We continuously
**work to
strengthen**
Pauligians' competences
and capabilities.

and justice and we do not accept discrimination of any kind. We also have to respect that our employees feel comfortable with voicing dissenting opinions and concerns at the workplace.

We promote equality through development and career planning so that women and men, and different ages are on an equal footing in different groups of staff. Moreover, we support a healthy balance of work and family life, so that employees can balance and fulfill both their work and family responsibilities. At Paulig, both genders have equal opportunities for the use of family leaves. In Latvia the Ministry of Welfare granted us the status Family-Friendly. One of the criteria for awarding the status is the

family-friendly business principles and effective balancing of work and family life, for example, by providing remote working opportunities and flexible working hours. In Estonia, we were awarded the Family-Friendly Employer badge by the Ministry of Social Affairs.

Moreover, the Estonian Employer's Confederation and Ministry of Social Affairs acknowledged us for standing for equal rights for people regardless of their disabilities. We treat people who have reduced capacity to work equally with other candidates and employees, and invite other employers to do the same.

To ensure equal practices throughout our operations, we have

systematically developed our processes related to recruiting, training and career development, performance management and rewarding. The formation and determination of individual pay or rewards within Paulig is never based on gender or other factors of diversity, but determined by the complexity of the work task and the performance at work.

Our internal whistle blower channel serves as a tool to raise possible concerns on any unethical behavior observed or suspected in our operations. All the possible misconduct is evaluated and investigated and the cases are handled by Paulig's whistleblowing team.

Spotlight for a job well-done

We celebrate success and co-operation also through our Spotlight Award reward, which is our tool for showing quick recognition for job well-done. Spotlight Award allows anyone to bring forward good work they experience or other outstanding demonstration of living the Paulig Way, successes or extraordinary breakthroughs or inventions by their colleagues.

The nomination can be done for both an individual or teams, and over 150 people have been nominated for Spotlight Award since the launch in spring 2017. During 2019, 42 individuals and 15 teams were awarded.

As from 2020 we have renewed the Spotlight Award process to celebrate teams for their work around strategy.



case

From gender specific to attitude driven coffee brand ambassador

Paulig's coffee ambassador, Paula, has been with us in Finland for almost 70 years. Since 1950, 19 fascinating personalities have served as Paulig's Paula, each of them reflecting her own era. And even though the duties have changed, the purpose of Paulig's ambassador has remained unchanged over the years: inspire and enrich Finnish coffee culture with cheerful personality, ideas and tips.

In 2019, we encouraged all bright people to apply for this unique job, the 20th Paulig ambassador for coffee. It was also time to renew the long tradition by giving up the name Paulig's Paula. From now on, the coffee ambassador is an attitude, not a gender.

*Our new Coffee Ambassador, **linaroosa Kanth**, is an explorer in today's coffee world and a social media content producer. She smoothly operates on the same platforms as her target groups, the young people.*

*"I think the coffee ambassador's most important job is to create useful content for people and make them smile. I want to spread the joy of the fascinating and diverse world of coffee", **linaroosa** states.*





Healthy and safe workplace

Employees' health and safety is at the core of our sustainability fundamentals. We want to provide a workplace where everyone can come and leave safe and sound, every day.

We have worked to harmonise the health and safety management processes within Paulig and our Health & Safety programme aims to transform our approach from a reactive into a preventative and wellbeing state of mind. The main ingredients in this programme are establishing a strong safety culture to prevent injuries and risks, and promoting wellbeing at all levels.

During 2019, we defined the content of our safety culture regarding human, technical and system safety, and made an inventory of the health and safety KPIs at all sites. These will be used as a base to establish the common, preventative KPIs within Paulig. To deepen our knowledge, we participate in an on-going Tampere University's research project in Finland, regarding utilising performance information in safety management.

We have established a health and safety roadmap towards 2021, but due to the big organisational changes in 2019, the implementation work has been on hold. The work will be continued during 2020.

Zero accidents require a preventive state of mind

Health and safety have been in our special focus during recent years, with the ultimate target of zero accidents. At Paulig, the most frequent types of accidents are related to slip, trip and fall situations at our production sites. For our office workers, especially traveling around the world poses risks.

We are transforming our safety approach from a reactive into a preventative state of mind.

In improving safety and averting risks, a proactive and preventative approach is the most important tool. This includes, for example, increasing our employees' safety awareness, observing risks systematically, and auditing our safety practices. We also encourage reporting on safety observations, both negative and positive ones.

AFTER SALES

T-paita / Pikeepaita
T shirt / Polo shirt

Collegetakki
Sweatshirt jacket

Työtehtävän edellyttämät käsinneet
Work gloves if required

Pitkät työhousut
Long legged trousers

Työtehtävän edellyttämät työ-/turvakengät ja sukat
Job-specific work/safety shoes and socks

Kuvassa on työvarustuksen vähimmäisvaatimus, jota voidaan täydentää vuodenaika- ja työkohtaisella suojevarustuksella.
The picture shows the minimum requirements for the work equipment, which can be supplemented by seasonal and job-specific protective equipment.

HYGIENIAVAATIMUKSET
HYGIENE REQUIREMENTS

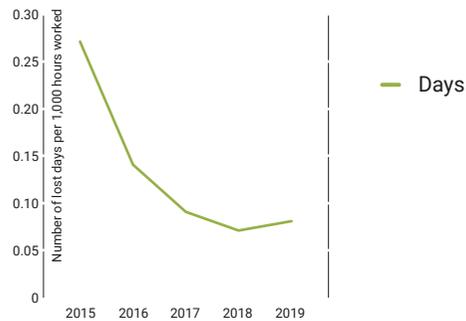
Kellojen, korujen, irtorigien tai tekokynsien käyttäminen työskennellessä ei ole suositeltavaa.
Use of jewelry, watches, false eyelashes or fake nails is not recommended while working.

Henkilökohtaisten tavaroiden vieni asiakkaan tiloihin ei ole sallittua (pois lukien matkapuhelimet).
It is not allowed to take any personal belongings not related to work in to the customer facilities excluding mobile phones.

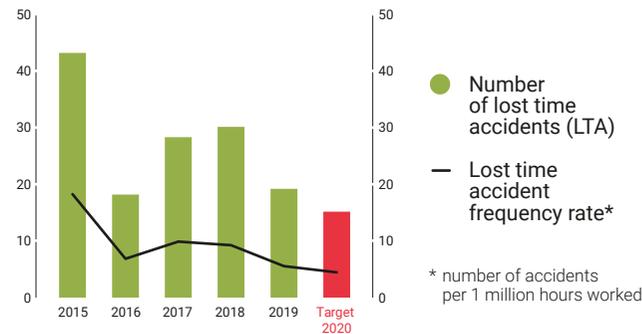
Asiakkaan tiloissa ei saa käyttää voimakkaita hajusteita.
It is not allowed to wear strong perfume in customer facilities.

Pese tai desinfioi kätesi.
Wash or sanitize hands.

Lost time accident severity rate



Lost time accidents and frequency



Risk observations and near misses



In practice, we raise the safety awareness through multiple measures. For instance, in Russia we organised a safety week on the eve of World Safety Day (April 28). During the week, there were various activities for employees, such as competition for the best safety observation at work, round table with safety specialists, adventure game with tasks about safety in the production area as well as an online test of traffic rules for all employees in Russia.

We are delighted to notice that our efforts are already paying off. We have gained a remarkable increase in the number of risk

observations, and a clear trend of a reduced number of near misses at our sites. We have also managed to reduce the number of accidents and the lost days, and thus the severity of accidents, remarkably. Our efforts are supported by occupational healthcare that is provided for all our employees to prevent ill health, sick leaves and retirement too early.

Feel Good at Work

Our recipe in promoting wellbeing and felicity includes, for example, the "FeelGood@Work" programme, to support the physical, mental and social wellbeing of all our employees. The programme is carried on through both common activities for the whole company and local activities. These included, for instance, physical activities and group training, dinners with teams as well as installing an outdoor sitting area at our Milton Keynes site, where staff can enjoy fresh air all year round. Our Latvian team donated one full day to SOS Children's villages families.

Wellbeing is, however, not only about projects, and our target is to integrate wellbeing into our way of working with focus on psychosocial aspects. It is important to us at Paulig to have a common, accepting working culture in all our locations, also regarding sensitive topics such as mental health. We encourage both managers and employees to also talk openly about psychosocial topics without fear of risking their status or jobs.

We are delighted that we have managed to reduce the severity of accidents remarkably.



Caption....

Sourcing responsibly

At Paulig, exploring the world for new flavours is the very essence of what we do. In addition to flavours, we also search for raw materials, resources and inspiration from cultures, societies and suppliers around the world. Many of our products make a long journey, all the way from the farmers to a consumer's table.

Our supply chain stretches to numerous countries and comprises raw material and traded goods suppliers as well as various service and logistics providers. In 2019, we had around 650 direct and 6,800 indirect* suppliers, and our purchasing spend was roughly 690 million euros. Of this, the share of raw and packaging material and traded goods was roughly 490 million euros. A significant share of our raw materials comes from countries that are classified as risk countries by amfori BSCI (Business Social Compliance Initiative). In these countries, problems related to human and employee rights are prevalent.

According to the climate calculation made in 2019, our own operations represent about 3% of Paulig's total GHG emissions. The majority of our emissions (97%) come from the value chain – most notably from purchased raw materials, logistics, packaging, and food waste. The common sustainability risks in the food sector are related to human rights such as forced or child labour, and labour rights such as fair remuneration and working hours. Our long-term relationships with suppliers help us to understand the human rights risks and other sustainability issues in our supply chains better. In addition, climate change, loss of biodiversity and water stress as well as the usage of pesticides cause risks to the environment and people in these areas.

Long-term relationships with suppliers

help us to better understand the risks in the supply chain.

These topics are increasingly of concern for consumers and for us as a company. Therefore, responsible sourcing continues to be one of our key areas and fundamentals of our sustainability work.

* This figure may include some duplicates

Towards one, sustainable way of sourcing

During recent years, and especially due to the organisational change in 2019, we have started to harmonise our sourcing processes within Paulig. This work comprises, for example, developing common risk assessments, and the supplier lifecycle management process, including supplier approval and development. Earlier, our sourcing was organised in the different business divisions and categories, which resulted in diverse ways of working

across Paulig. Responsible sourcing was the first common process that we started to develop in 2014 and moving forward we aim to integrate this into our supplier lifecycle management rather than keep it as a stand-alone.

In our sustainability work, our supply chain and sourcing play an important role. Our new ambition is that all raw materials from high-risk areas come from sustainable sources, verified by external parties. We are committed to setting science-based climate targets where reducing supply chain emissions is essential. Our targets are in the validation process.

In order to build sustainable supply chains, we need to focus on transparency and seek for partners that share our values and can support our responsible sourcing ambitions. The development of responsible sourcing is, however, not a tick in a box mon-





Our local partners going through the results of the coffee partnership programme implementation for a farmer's farm.

itoring exercise but a holistic approach to identify the actions with greatest positive impacts throughout the value chain. This will require competence development and new ways of working inside and outside of Paulig.

Sustainable sourcing takes courage and faith. Courage to make the decisions and investments needed. And faith that those decisions will be of value to consumers and our customers. Both of these were put to the test in 2014, when we made the promise that all of the coffee beans we use would come from verified sustainable sources by the end of 2018. The promise was kept and today, Paulig is a coffee industry forerunner in terms of its sourcing principles. This encourages us and paves the way to continue our work towards building supply chains that contribute to sustainable lifestyles through our product offering.

Long-term relationships and mutual learning

We value long-term relationships with our strategic suppliers. A mutual understanding of ethical and sustainability aspects and a common commitment to tackling the challenges are the foundations for our co-operation.

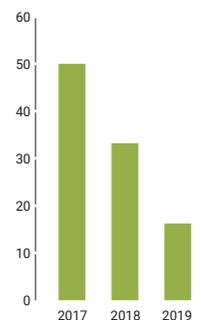
We apply a diligent process when assessing our suppliers. We evaluate the sustainability risks related to suppliers through country risk assessments, supplier self-assessments and audits. We

“ We share the same values and vision for the bright future of coffee and want to change the status quo of the coffee industry and stop thinking in the short term. These partnerships help to ensure the long-term business success of the producers, and companies like Volcafe and Paulig; while having a positive impact on the communities and stakeholders in the supply chain ”,
says Carlos Ortiz, Global Manager for Volcafe Way.

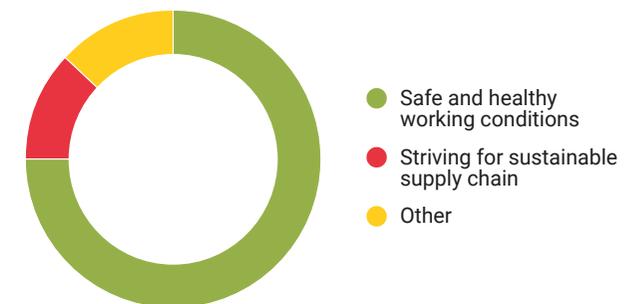
always conduct a supplier risk assessment before starting collaboration with a new supplier and conduct audits of our suppliers regularly. An important component of this process is to carefully study and understand the local circumstances and culture in the countries we source from, as the key sustainability risks can vary greatly in the supply chain, and for different raw materials.

The Paulig Code of Conduct for Suppliers stipulates the minimum requirements suppliers must abide by, such as safe and decent working conditions as well as respecting of the human rights and environmental risks related to their own operations and

Number of Sustainability Audits 2017–2019



Audit findings, areas of non-conformities in 2019



supply chains. We also set a clear request for traceability regarding both manufacturing and origin of raw materials when using sub-suppliers in connection with a delivery to Paulig.

We audit our direct high-risk suppliers regularly and we use a combination of audit performed by our own employees and third-party auditors. The main reason for this combination is to bring a diversity of views and build competencies in understanding the challenges in our supply chain as well as to learn about and identify the opportunities for development.

100% coffee from sustainable sources

We buy more than 50 million kilograms of green coffee annually i.e. some 0.7% of world production, which corresponds to the annual production of over 75,000 average-sized coffee farms. This means that our decisions and sustainability efforts have a genuine impact on coffee farming.

We had an ambitious target that all of the coffee beans we use would come from verified sustainable sources by the end of 2018. We achieved this major milestone as planned. This means that all coffee we now source is either certified or sourced via our partnership programmes verified by an independent third party.

Achieving this required a lot of dialogue and collaboration with our partners and other stakeholders. During the past five years, we have worked with our partners to add certified coffees to our

Sustainable supply chain for food

We are a member in the Sustainable Supply Chain for Food in Sweden, an initiative making food more sustainable. During 2019, we actively participated in the work of updating the definition of what the companies in the food supply chain need to focus on and address in order to improve their sustainability performance. The results of this co-work, the updated guidelines for creating more sustainable products and product ranges, will be launched in 2020.

>> [More about the Sustainable Supply Chain for Food \(in Swedish\): hallbarlivsmedelskedja.se](http://hallbarlivsmedelskedja.se)

Ensuring sustainable sources requires a lot of dialogue and collaboration.

selection while also developing our supply chains, launching new partnership programmes in the key countries of origin and verifying our sources of green coffee.

Certification is a great way to verify sustainable sourcing, which is why the majority of our coffee is certified. In addition to certificates, we use carefully selected partnership programmes because we want to be genuinely present in the countries of origin; listening and taking part in discussions and developing local communities. There is no one way to promote sustainability and solve challenges present in the global supply chains. Therefore, sustainability work comprises different methods and tools that help us secure the continued availability of coffee and profitability for farmers as well as developing the entire local community.

We chose the independent verification body FLOCERT as our auditing partner for 2019 and they developed a framework for the verification of the Paulig coffee partnership programmes. It consists of two parts, the first one concentrates on how the Paulig Code of Conduct is implemented and the second part evaluates how well the partnership programmes function in practice to drive development.

In 2019 the audits of coffee partnership programmes were carried out in Costa Rica, Nicaragua, Brazil, Kenya and Tanzania. They were conducted in three levels, in the headquarters, at the local exporter and at the coffee farms.

Partnerships at the core of Paulig's coffee sourcing

We see the partnerships as an essential tool in driving progress towards more sustainable supply chains. Paulig currently has coffee partnership programmes in 12 countries, in co-operation with International Coffee Partners, Coffee & Climate, Fairtrade and coffee export companies. Over the years, we have supported more than 100,000 coffee farmers through the partnership programmes.

Training in agricultural practices can make a big difference.

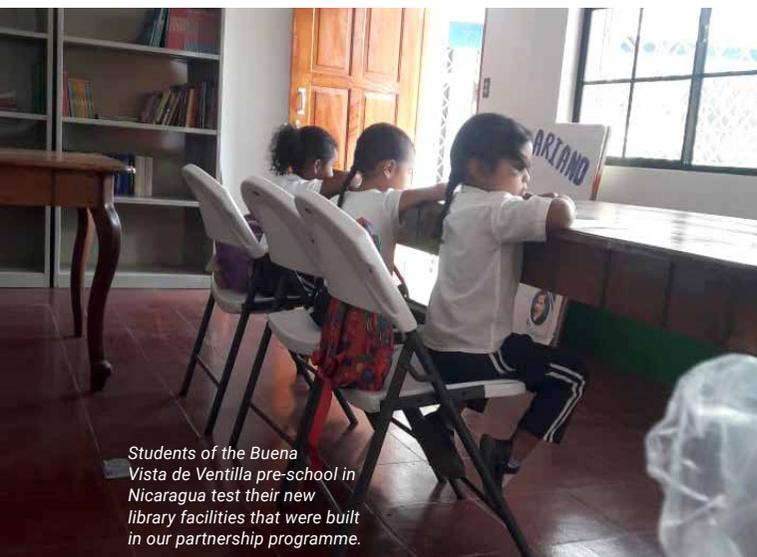


Partnership programmes enable us to invest in profitable and sustainable farming and help the coffee farmers with their practical challenges. For example, coffee farmers receive support and training in business skills, good agricultural practices and other farm matters.

In Guatemala we have helped, with our partner Volcafe, the coffee producers to reduce the time they spend in the field and give them a chance to have other sources of income. It is also about changing the mindset and seeing the wider and longer perspective.

Besides supporting in business skills, good agricultural practices

“When I started farming coffee, I was unaware of the business side of it. I didn't know the cost of production, nor how to intervene in my plantation to extract the most value and benefit out of it. These partnerships have helped me to receive the knowledge and techniques, and I can see that I will have more income in the near future”, says Guatemalan coffee farmer José Teletor Camaja.



Students of the Buena Vista de Ventilla pre-school in Nicaragua test their new library facilities that were built in our partnership programme.

and other farm matters, the partnerships have now been extended to deeper co-operation in order to improve the well-being of the whole community. For example, in Nicaragua, we have continued our collaboration with the export company Mercon in support of quality education in the coffee communities in the Nueva Segovia region. In 2019 the construction of a library and classrooms for high-school students were completed and teacher training in digital capabilities took place in San Jose de la Luz school. We also extended our support to another school in the region, Buena Vista de Ventilla, where new pre-school facilities were built. These efforts

have directly benefited 240 students and 20 teachers this year and the wider impact in the community will be visible in the coming years.

We work with our partner ECOM in Colombia to improve the livelihoods of farmers in Santander. In addition to good agricultural practices and farm management, a special focus in 2019 was on soil health and related analysis was conducted to support optimisation of fertiliser use and other inputs. We will start a collaborative project focusing on building of wastewater treatment systems and developing health and safety management practices.

case

Indian spice farmers educated in sustainable farming

Our collaboration with Save the Children has continued since 2004. Supporting families and children with their education is one important part of our collaboration with Save the Children India. In addition, in connection to developing the supply chain of spices, one of our suppliers, Jayanti, has been setting up training programmes to spread the knowledge about sustainable farming in the 30 villages where our project is running.

The training programmes were kicked off during 2019 in Andhra Pradesh state in south-eastern India. The training provided practice and knowledge in how to enhance the spice yield in a sustainable way.

The training sessions were held by farmers who already had gone through training earlier, held by one of our suppliers. This set-up of farmers educating their peers was favoured in order to maximise the impact, as well as encouraging farmers to empower themselves.

“I am as proud as one could be of the project and the success we've achieved together with Save the Children and the community in Guntur, Andhra Pradesh. We also want to encourage other companies and organisations to act,” concludes our Senior Sustainability Specialist **Sandra Flodström**.



We contribute to the wellbeing of the future generations

We have always been committed to building a better future for the younger generation. As a family-owned business, we want act as an active member of the society. Children and young people have always been at the heart of our initiatives.

case

Active collaboration to support the most vulnerable children

In 2019, we started as the main partner for the SOS Children's Villages charity in Finland. SOS Children's Village works with some of the most vulnerable children and young people and offers support to families both in Finland and around the world. The organisation's mission is to ensure that all children can spend an ordinary childhood living in a safe environment surrounded by their families. We support SOS Children's Village to invest in new homes that can flexibly provide accommodation, even for larger groups of siblings. Donations are also used to offer therapeutic support to children who have lived through traumatic events, and fund hobbies and other activities.

We also support UNICEF's work for the most vulnerable children. During the first months of 2020, Gold&Green Foods donates 20 cents to UNICEF Finland for every sold Pulled Oats Nude. Through the cooperation, Gold&Green Foods also wants to increase the awareness of the significance of nutrition in the development of children and educate people about the environmental effects of our food-related choices.

case

Children's rights in focus

We have been collaborating with Save the Children since 2004 to support children's rights. During these years, we have, for instance, initiated a study on children's rights in the supply chain of our major spices in India. The key findings of the study were that many children were seasonally involved in spice cultivation and, due to helping their families, the children risk missing out on education and leisure time.

As a result, a project with the goal of getting more children to study was initiated. At the start of the project 1,150 children at the ages of 6–14 years old, were not enrolled in school in the 30 villages that were involved in the project. After two years 75% of those children are going to school and they have continued to the next

level! Our ambition is to get all children between the ages of 6–14 years in these villages to complete elementary school in a safe and conducive learning environment.

We also aim to raise the quality of the education, which means e.g. focusing on teachers' skills, school materials and the organisation of the schools.

"I will never forget the spark in her eyes", says Sandra Flodström, our social responsibility specialist when she tells about the little girl in one of the Indian villages where Paulig and Save the Children have worked hard to make a difference.

"I had asked about her favourite book. She was so happy to go to get it and it was obvious that she was proud of the fact that she could now read it!"



case

Caring for local kids in Russia

For years, we have been delighted of our collaboration with the local Slavnovskaya school in the Tver region in Russia. Yearly, we organise various activities, to encourage the school children to try and evolve their skills. We have enjoyed cooking sessions together and invited students to visit our factory. We have also supported the school work by donating computers. For the school's 75th anniversary we donated musical equipment. In summer, there were holiday activities organised for children from low-income families in Tver, followed by a cooking workshop with our Brand Chief.

In 2019, we extended our safety communications to the families of our employees in Russia. We invited children 8+ years old and taught them about safe behaviour in the streets, at home and at play. Every participant got a reflector to be better noticed in the darkness.



case

Sharing the Christmas spirit

The Pauligians are eager to share their Christmas spirit and contribute to society during the Christmas time.

In Belgium, we have a tradition of taking part in the local charity action called "The warmest week". In 2019, we donated 26,000 bags of chips for local organisations or individuals who sold them and raised in total 52,000€ that were donated to 70 different charity causes. We also joined the action and our employees sold the chips themselves.

At the same time in Finland, we took part in a charity called "Christmas Tree" for the 5th year in a row. The idea is to collect Christmas gifts that are donated to the local social services to be given to children who would not get any Christmas gifts otherwise. Paulig volunteers set up the collection at our headquarters and we delivered 63 Christmas presents to the social services' collection point.

In Russia the holiday season tradition is to give New Year presents for pupils of the Slavnovskaya school.



2

Caring for the environment

As a food and beverage company, our business is strongly dependent on natural resources and the state of the environment. Our responsibility for the environment extends throughout our value chain – from the fields where our raw materials grow, to our own operations and all the way to consumers' kitchens.



Managing our environmental impacts

The global food systems are facing considerable challenges as the basic conditions for the cultivation of food are affected by climate change and water stress, among other things. At the same time, food production is responsible for a major share of global greenhouse gas emissions, it accounts for two thirds of all fresh water used in the world and biodiversity that underpins our food systems is disappearing.

We carefully consider environmental aspects in our decisions and daily activities, and we have multiple tools to reduce our environmental impacts. We are committed to reducing our environmental impacts through promoting sustainable agriculture and responsible sourcing, planning and developing our products and packaging wisely, using resources efficiently in our own operations, and supporting consumers' efforts to mitigate their environmental burden.

In 2019, our environmental work focused especially on our cli-

mate impacts and on packaging development, as well as defining our new sustainability approach.

Understanding and minimising our climate impacts

To better understand our climate impacts and identify our greenhouse gas emissions, we have conducted a thorough study involving our entire value chain. These results are used in setting the science-based targets during 2020 for all our greenhouse gas emissions. The climate ambition level for Paulig is to align with the Paris Agreement target of 1.5 degrees Celsius by 2030.

The study revealed to us that our own operations constitute only some 3% of Paulig's total GHG emissions. The vast majority, 97% of our emissions, derive from the value chain, most notably from purchased raw materials (agriculture), logistics, packaging, and food waste.



case

It makes no sense to waste heat

Together with the local energy company Helen, we will deploy a waste heat recovery system at our Vuosaari coffee roastery in Helsinki in the beginning of 2020. The heat is recovered from the roasting process.

What is totally new, is that saved heat energy is going to be used to recycle excess heat to Helen's district heating network. The open district heat market means that we can both buy district heat as well as sell the excess heat energy to Helen. And Helen, in turn, uses the heat in the district heating network in Helsinki. With this solution, we significantly enhance the energy efficiency of the roastery.

The new solution can be used to recover waste heat in quantities enough to cover the annual heat demand of 1,000 two-room apartments", says Timo Tuukkanen, Facility & Security Manager at Paulig.



Efficient use of energy in own operations

We are putting a great emphasis on energy efficiency and renewable energy in our operations. Energy consumption and intensity are closely monitored at all our production sites, and we conduct energy mappings as well as pilot new solutions for efficiency improvements.

This comprises both bigger and smaller betterments. For instance, in our Roeselare site in Belgium, in a relighting project all conventional lighting in production was replaced by LED lights. This cut the electricity consumption for lighting down by 63% at the site. As a result, the energy intensity, i.e. the energy consumption per produced ton, decreased by 2% in 2019 at Paulig, although the energy consumption increased by some 6%.

We also utilise waste heat in our production. In Belgium, the heat recovery from ovens and air compressors is used to warm up the water for the dough as well as the water used for cleaning. In Helsinki, we are deploying a new heat waste recovery system during 2020, which will both enhance the efficiency remarkably and allow recycling excess heat to the local district heating network.

Currently, all our production sites in Finland, Sweden, Estonia and Great Britain are purchasing 100% renewable electricity. In Belgium, all sites are using only renewable electricity from January 1, 2020 onwards. Our Roeselare site in Belgium represents approximately 70% of group's own carbon emissions due to natural gas usage. While the total carbon emissions increased by some 5%, the group-wide carbon intensity, i.e. the emissions related to production volumes, slightly decreased by 1% in 2019.

By starting to roast our coffee with biogas in Helsinki in August 2015, we managed to cut back the greenhouse gas emissions by nearly 2,700 tonnes annually. Today, in addition to the coffee roasteries in Finland, all our sites in Sweden are running on biogas.

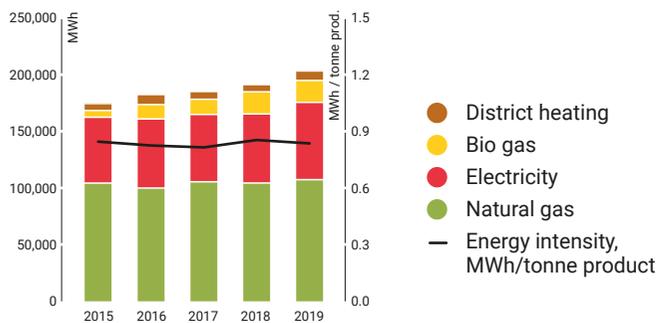
For the Santa Maria brand, the greenhouse gas emissions from its own operations are offset through projects that increase the use of renewable energy in India. In addition, the carbon emissions of all Risenta products from farm to store are offset with carbon credits purchased from two projects, one in Peru and another one in Mexico. The Risenta projects are verified in

collaboration with Plan Vivo.

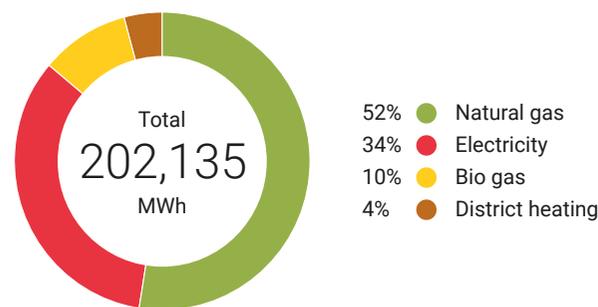
In our business transports, our target is to both reduce the fuel consumption as well as lower the emissions levels for our company cars. We encourage keeping business travelling to a minimum via handy on-line meetings. At our headquarters in Helsinki, we have Green Drivers parking areas for our employees and visitors to charge their electric vehicles.

8 out of 11 of our production sites run on renewable energy.

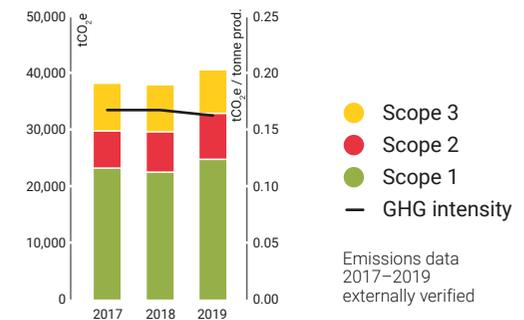
Total energy consumption and intensity



Energy consumption by source 2019



GHG emissions by scope



The GHG emissions in our value chain are based on an estimate and lifecycle analyses made by external partners. This graph shows only a small portion of our scope 3 emissions. It includes: business travel, leased cars, CO₂ used in packaging and upstream emissions from energy. GHG emissions for own operations are based on accurate data from all sites (factories, warehouses and offices).

Sustainable use of resources

It is estimated that one third of all the food produced goes to waste globally. We consider the excessive use of resources, as well as any current products or material ending up as waste, regrettable. That is why we constantly strive to reduce waste, to increase reuse and recycling of any materials, and to use materials and other resources sustainably.

No more waste – yes please, recycling

One of our top priorities in our factories is to prevent waste being generated. About 70% of all our waste is bio-waste, mainly non-marketable, and by-products deriving from our production. Most of it is recycled as animal feed or used for bio-energy production.

For instance, all food waste from tortilla and taco production is used as animal feed, and coffee waste is sold as raw material for instant coffee production, composted or used for biogas production. We have diligently increased the waste recycling and improved the sorting of waste into separated fractions at our sites. We also follow up the amount of waste and communicate the results internally monthly, which encourages everyone to get involved and work for the targets. As a result, 87% of our total waste is now being recycled, and we have managed to reduce the amount of landfill waste year by year. In 2019, only 0.2% of our

total amount of waste ended up in landfills.

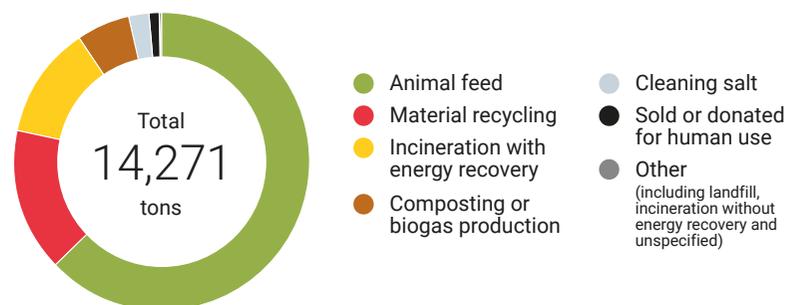
In Russia, a local 'Zero waste to landfill' project was started during 2019 with the aim of increasing waste recycling. The project included defining a Zero Waste Roadmap for 2020–2023 and employee training about waste recycling, to mention a few things. As a result, the share of non-recyclable waste from the Tver coffee roastery already dropped from 10% to 4%.

We are also happy to cooperate with partners to avoid food waste. For instance, as we launched the new Santa Maria spice jars last autumn, we were at risk of getting stuck with many unused spice jars with the old package design in our warehouse. Luckily, by co-operating with Swedish Matsmart, that sells at discounted prices food that would have otherwise become food waste, the entire remaining spice jar inventory found its way into the market at a great discount.

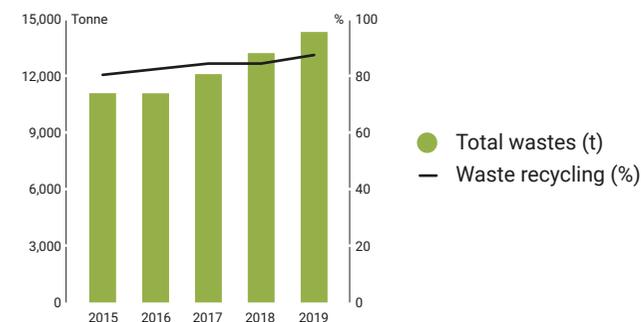
At Santa Maria tortilla factory in Landskrona, Sweden, our partner, the local pig farmer Bengt Bengtsson, uses the waste from tortilla production either in the production of animal feed or in his sludge collector to make fertiliser for his fields. Bengt's farm is located close to the Santa Maria tortilla factory, meaning a short transport distance.



Total waste by disposal method 2019



Total waste and recycling rate 2015–2019



Used coffee grounds to enrich the soil and enlighten children's play

An estimated 6 million tons of used coffee ground waste is produced annually worldwide.

In Latvia, in cooperation with The National Botanic Garden of Latvia, we participated in the first scientific coffee ground study in the Baltic states. Using used coffee grounds as an urban soil amendment provides a sustainable way to take advantage of this urban waste. Coffee grounds can be used as a material to improve soil and provide nutrients to the plants. Besides, the grounds are an excellent source of nitrogen. The first results of the study prove that caffeine is affecting plants to grow slower, while they are more resistant to insects. And, for example, carrots grow bigger in a soil enriched with coffee grounds.

In addition to the great nutritional feature, the used coffee grounds are a rich source of energy. For several years now, we have collected used coffee grounds with the help of companies and citizens both in Lithuania and Estonia. Collected coffee grounds, in other words biomass, is then utilised to produce electricity at biogas stations.

In Estonia in 2019, 13.8 tons of used coffee grounds were collected, and the 17,500 kWh of energy produced from it was donated to the Haiba Children's Home. That covers the energy need of the children's home for two months.



To examine the food waste dilemma deeper, we participate in various studies, for example by Chalmers University in Sweden, identifying ways to prevent and reduce food waste in our production and by Natural Resources Institute Finland mapping and quantifying reasons for brewed coffee wastage in Finland. In Latvia, we took part in a study examining using spent coffee grounds as a soil amendment.

Best practices for water management

The consumption of water in our production varies a lot between different production sites, depending on the type of end products. Whereas spice blending processes do not require water, a small amount of water is used in coffee production and it is an import-

ant ingredient in, for example, tortilla and taco production. Water is also used in cleaning, and although we strive to reduce the water usage, we cannot risk food safety by minimising the usage of cleaning water. Therefore, we focus on using the right equipment and effective cleaning procedures to ensure the efficient use of water.

The World CleanUp Day took place in September and it was estimated that over 160 countries all over the world joined the event. Paulig team in Estonia also took part, and within just a couple of hours the team cleaned up 260kg of litter and mismanaged waste in Tallinn.





Designing sustainable packaging to prevent waste

High-quality and durable packaging plays a key role in preventing food waste. Even though packaging only covers a few per cent of a product's environmental footprint, it plays an essential role in protecting the product and its taste throughout the production chain and ensures that the product remains fresh all the way via transportation and stores to consumers' kitchens. Besides, easily recyclable packaging made of renewable materials, lightens the burden on the environment.

Our objective at Paulig is that our packages do not compromise the durability and quality of products. However, without compromising on the function, we are constantly striving to make our packaging as resource efficient as possible and optimising the packaging weight. In material development, our focus areas are both the raw materials of packages and packaging recyclability. That is why we are developing more and more packages made from renewable or recycled materials and packages that are recyclable.

Developing and creating a sustainable packaging is not always a straight-forward route, but rather a learning path. Analysing and understanding the total environmental impacts of different materials – and their share compared to the product – is tricky even for professionals, let alone consumers. We have decided to take the carbon footprint as our main guideline, although it is not the only sustainability aspect, but currently the most urgent one.

Renewable materials to cut the carbon emissions

Paulig's packaging development has progressed in leaps and bounds in recent years. In particular, we have focused on cutting the carbon footprint of packaging by increasing the share of re-

newable, plant-based materials, like paper and sugar cane, in packaging.

We took a major step forward in 2018 when Paulig Mundo coffees were packed in a vacuum packaging made of 45% plant-based and renewable sources. In fact, Paulig was the first company in the world to bring renewable materials to the packaging of vacuum-packed coffees. And at the end of 2019, some of our coffee packaging was already made from over 50% renewable materials, which has reduced the carbon footprint of the packaging by about a third.

In addition, the Santa Maria coconut milk is now packed in cardboard-based package instead of tin, which has cut the carbon footprint by 80%. In all, 72% of the coconut milk cardboard package is plant-based materials. In 2019, we also introduced new Santa Maria tortilla packaging where part of the plastic is replaced by paper resulting in 35% lower climate impact and 150 tonnes less plastic compared to the former packaging solution. For Gold&Green products we are using trays made of recycled

Towards more recyclable packaging

In 2018, the European Commission launched "A European Strategy for Plastics in a Circular Economy". One of the goals is that all plastic consumer packaging released on the EU market should be reusable or recyclable. Currently, for example, in Sweden a mere 25% of the plastic packaging put on the consumer market and collected for recycling is estimated to make its way into new plastic products. The remaining percentage goes mainly to energy recovery.

In Sweden, we have committed to the Plastic Initiative, initiated by Swedish grocery industry association DLF, where the goal is to ensure that the all plastic consumer packaging is recyclable by 2022.

>> [More about the Plastic Initiative \(in Swedish\): www.dlf.se](http://www.dlf.se)

Developing
a sustainable
packaging
is not always a straight-forward route.

case

Coffee package turning into shopping bags

In the development work, we consider the diverse opportunities of circular economy, in particular. We co-operate and make pilots, to find viable solutions to utilise materials more efficiently during the lifecycle.

In 2019, we joined forces with Kesko, the second largest retailer in Finland, and design house Globe Hope, who makes accessories of recycled and left-over materials, and launched a recycling pilot for used coffee packages in Finland.

The pilot encouraged consumers to return their empty coffee packages to be used as raw materials for

new products. Coffee packages were collected in five Kesko supermarkets and further delivered to Globe Hope. The pilot started briskly and in total 25,000 empty packages were collected by the end of 2019!

The aim of the project was to give coffee packages a new lease of life as eight different recycled products, which are sold in the participating supermarkets as well as the online stores of Paulig and Globe Hope. The pilot was surprisingly popular, and the experience gained encourages us to continue working to find sustainable reuse solutions.



bottles and industrial waste plastics and the sleeve cardboard has 30% recycled industry waste.

Ensuring the recyclability of packaging

We strive to make it easy to sort the empty packages and give advice to consumers on how to sort them. We still recognise the challenge to maintain all the functions of the packages like puncture resistance, oxygen barrier and tight sealing while developing all the packages to be more easily recyclable in recycling facilities in practice. Also, the recycling processes, as well as attitudes towards taking the effort off sorting wastes, varies greatly in different markets.

We are delighted with our results thus far, but naturally there is also a bunch of developing and piloting which did not end to a great success. For example, we tried to develop a coffee paper-laminate packaging that could be sorted to cardboard collection so that the fibers could be recycled. However, we ended up having too many leaking packages so the end result would not have been sustainable due to wasted coffee.

Our business is strongly tied to raw materials that come from all over the world, and our continued success is based on the wellbeing of the environment and the people in our value chain. Therefore, our responsibility for the environment extends all the way to the fields where our raw materials grow.

As our climate study revealed, 97% of our greenhouse gas emissions derive from our value chain. In addition, we recognise our impacts and responsibilities towards protecting biodiversity and water consumption, among other things.

Our main tools to minimise the environmental footprint from production of our raw materials, packaging material and the products that we source are choosing responsible suppliers and partners, sourcing certified or verified raw materials and participating in projects that support environmentally sound farming and management practices.

Environmentally sound sourcing

To reduce the environmental burden in our sourcing, we work together with our suppliers to promote environmentally responsible

methods in agriculture and processing. Paulig's responsible sourcing process includes environmental requirements for our suppliers, such as building their understanding of water and deforestation risks and working towards reducing their environmental impacts continuously. >> [Read more about our responsible sourcing practices on page 25](#)

Paulig has done systematic long-term work to promote the wellbeing of people and the environment throughout the whole supply chain. We participate in several international projects supporting environmentally sound farming and processing. For example, we take part in the Coffee & Climate initiative that helps coffee farmers to adapt and prepare for changing conditions due to climate change.

In Sweden, we have participated in an industry initiative to support sustainable farming and water usage. For example, one of our suppliers that we collaborate with has effectively implemented sustainability and conservation by helping the farmers adopt new technologies. They train the farmers in adopting good agricultural technique and introduce new technologies. As a result of this, all irrigation is done by drip irrigation today.

Long-term projects for sustainable value chain

We have participated, together with Fairtrade and the Ministry of Foreign Affairs of Finland in a sustainable coffee value chain project in Ethiopia that stretches to the year 2022. The project involves 28 primary cooperatives with 52,000 smallholder members in Sidama Yirgacheffe and Bench Maji regions.

The project targets increasing the productivity and improving quality coffee, strengthening the producer organisations, enhancing market access and supporting environmentally sound practices and resilience to climate change. During 2019, soil analysis and fertility testing was conducted for all 28 co-operatives, and training given regarding coffee quality as well as business planning, to mention a few things. In addition to the business and technical skills, the project emphasises building stronger and

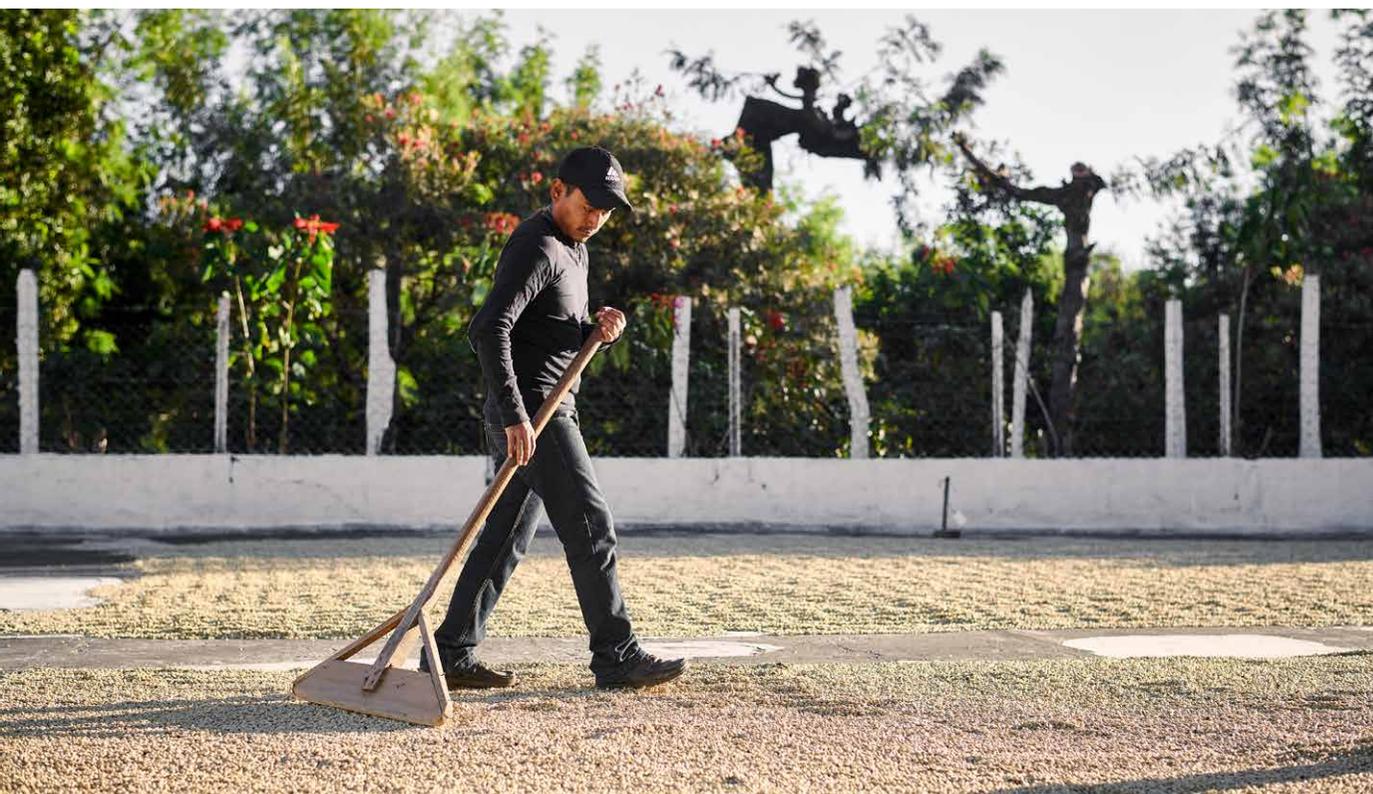
more inclusive coffee producer organisations. To enable the change, there are, for example, seminars as well as studies on disability inclusion and on the barriers for involvement of women and youth in coffee farming.

Reducing the transportation emissions

Optimised logistics and fully packed transport loads are important for us as we source our raw materials from all over the world and sell our products in more than 70 countries. For example, during 2019, we initiated several projects to optimise our route to market with the aim to reduce the distance our goods travel towards the customer. We will continue our efforts in 2020 onwards through defining a group-wide measuring and calculation standard for the greenhouse gas emissions in our complete supply

chain, and by setting a long-term plan to move towards zero emission logistics.

In Belgium, we are committed to the Lean and Green programme for the logistics sector with a target to reduce CO₂ emissions by 20% by the end of 2020. In 2019, in Sweden we committed together with several other Swedish food companies to the Transport Initiative 2025, with the target of using only fossil-free transports in Sweden by 2025. Although the solutions to achieve completely fossil-free transports are not yet truly global, it is important that we set requirements and drive the issue forward in all fronts. As a buyer of transport services, we will put demands on the carrier providers and encourage them to offer fossil-free solutions. >> [More about the Transport initiative 2025: www.dlf.se](http://www.dlf.se)



Manifesto for sustainable food

In 2019, Paulig Sweden joined the Swedish food industry's sustainability manifesto, containing five commitments for a sustainable and viable food production. The commitments concern fossil-free production and transport, halving food waste, recyclable packaging, good supplier conditions and more efficient water use.

The joining companies commit to striving towards the ambitious goals. For us it was self-evident to commit to the sustainability manifesto and we continue to work on this topic through innovations and product development.

>> [More about the manifesto \(in Swedish\): www.livsmedelsforetagen.se](http://www.livsmedelsforetagen.se)

3

Supporting consumers' health and wellbeing

Our purpose is *For a life full of flavor*, and we want to ensure that we leave behind a sense of good taste. As a food and beverage company, we have a special responsibility towards the consumers who use our products. This includes ensuring product safety as well as taking health and sustainability aspects into consideration when manufacturing and developing our products. We want to support the wellbeing of people by inspiring them to eat healthy.



Products that support health and wellbeing

Consumers have various expectations regarding the products they use and eat. Among the most topical issues are their own health and wellbeing, the origin and safety of the products, and concern about ethical and environmental aspects related to supply chain and production. There is also a fast-growing demand for responsibly produced vegetarian and plant-based products. Besides, the demand for products with less sugar, salt and additives is considered as one of the most important trends in food and beverages.

To support consumers in finding healthier and more environmentally sound diet options, we are providing them both recipes and easy-to-use products for tasty vegetarian and vegan meals. In innovating new products and recipes, we consider health aspects as well as ethical and environmental aspects early in the product development processes. This also applies to our existing products, and we have, for example, reduced the amount of salt and sugar in many products and set the target to reduce sugar and salt contribution so that our meal recipes contribute to maximum 30% of daily intake of salt (1.5g) and sugar (15g) per portion by 2021.

In addition, a number of additives have been replaced with herbs, spices and natural ingredients in our products, and since 2015, palm oil has been replaced with rapeseed and sunflower oil in all Santa Maria products.

Defining sustainability on product level

We have a strong ambition to become a sustainable frontrunner in the food & beverage sector, and that is why we have wanted to

define our sustainability agenda on the product level too. Furthermore, we wanted to develop tools to steer our product development towards the desired – even more sustainable – direction.

Customers and consumers should not have any concerns regarding our products, and many consumers are expecting products to be sustainable. People also want to know where the products come from and what ingredients there are in the products and why they are there – and how these ingredients affect their health and wellbeing.

During 2018–2019 we conducted a vast internal feasibility

study to understand what areas within sustainability we need to focus on in the product development. We identified that we shall put our efforts into raw material certificates, transparency regarding the origin country and ingredients, decreasing the amount of additives and undesired substances in the products, providing inspiration and options to support consumers' health and wellbeing as well as further developing plant-based products.

These focus areas will guide our product development efforts in the future, as we strive to provide more and more sustainable products for every table.



**Health,
environmental and
ethical aspects**
guide our product development.



Products from sustainable sources

Using products with certification, such as Organic, Fair Trade and UTZ, is important for many consumers, due to concerns about their own health as well as about the environmental and social conditions in the origin of the raw materials. We offer an extensive range of certified products such as Paulig coffees, Santa Maria's spices, tortillas and coconut milk as well as Risenta's granolas and bean products. We are also the first coffee roastery in Russia having the European organic certificate, namely for the

Paulig Mundo coffees. We are further extending the offering of certified products and also developing other methods to continuously improve the social and environmental footprint of our products.

The shared goal of those certification schemes is to further sustainability in the supply chain.

Certified products and raw materials, such as coffee, spices or oils, have been produced in accordance with sustainability criteria set by certification schemes and confirmed with regular audits.

Pull for Nordic oats around the world

The demand for plant-based proteins and environmentally friendly products is seeing a strong worldwide growth. In 2019, our Pulled Oats was put on the menu in all of Spain's Taco Bell restaurants and was launched as a retail product in Germany. The Finnish favorite is also available as catering products in Finland, Sweden, Norway, Denmark, the Netherlands, the United Kingdom and Ireland.

In spring 2019, Pulled Oats Nude was granted the Heart Symbol in Finland, which indicates that a product is a better option for the health. The symbol is only awarded to foods containing good fats and reduced amounts of salt.



Only certified palm oil

Palm oil is the most widely consumed vegetable oil, but its sourcing is also a threat to some of the planet's most important and sensitive habitats. Palm oil contains relatively high levels of saturated fats that are considered unhealthy. Therefore, we have replaced palm oil with oils containing more unsaturated fatty acids such as sunflower and/or rapeseed oils in all Santa Maria products.

All the palm oil that is still used in the Poco Loco products is 100% segregated certified by RSPO (*the Roundtable on Sustainable Palm Oil*), and we have been a member of the RSPO since 2005.



Eggs from cage-free hens

We are constantly working to improve our products, especially from the sustainability perspective. In 2017, we set a target to have only eggs from cage-free hens in Santa Maria products by 2020. We have been actively working together with our suppliers to reach the goal at the schedule.

In the Santa Maria offering, there are currently 15 products containing eggs. We have reached the goal and as of 2020 we can guarantee that 100% of eggs used are from cage-free hens.



Coffee from 100% verified sustainable sources

We buy over 50 million kilograms of coffee beans per year. Five years ago, we made a promise that all our coffee beans used by Paulig would come from verified sustainable sources by the end of 2018. This promise was fulfilled at the end of 2018, and now we exclusively use Fairtrade, certified organic or UTZ certified coffee as well as coffee sourced through verified sustainable partnership programs. Achieving this goal required long-term cooperation and dialogue with our partners and coffee farmers.

When we made the promise in 2014, the high-quality coffee that we use was only partly available from verified sustainable sources. Over the course of five years, we worked together with our partners to introduce certified coffees to our product selection, develop supply chains, verify the sources of green coffee and establish new partnership programs in the countries of origin.



Going nuts about almonds

Almonds are among the healthiest foods you can eat, packed full of vitamins and minerals, as well as protein, healthy fats and fibre. The disadvantage of almond is, however, the extensive year-round water usage in almond farming, which may produce long lasting effects on the environment, especially in the drought-stricken California in the USA, where more than 80% of the world's almonds are grown.

In order to reduce the environmental burden related to the almond, from 2020 onwards, we will source all the almond flour from Spain instead of California. The almond trees growing in Spain are more adaptive to aspects like water scarcity, uneven ground and adverse climate. Changing the origin from California to Spain also shortens the transportation distances.

We are looking to extend the almond sourcing from Spain to be used also in our muesli products.



Sustainable spices, full of flavour

During 2019, we joined as a member the Sustainable Spices Initiative, a sector-wide consortium, aiming to sustainably transforming the mainstream spices sector, and thereby securing the future sourcing of spices. By joining the initiative, we committed, for example, to strive for a fully sustainable spice production and trade, and to have a minimum 10% absolute growth in sustainable sourcing of top 3 category spices and herbs by 2021. For us those are black pepper, onion and paprika.

>> www.idhsustainabletrade.com



Paulig Incubator

What do our eating habits look like in 5, 10 or 20 years? How has our lifestyle changed? What are consumers' requirements? Paulig Incubator (PINC) was established in 2018, and has an exciting mission: to help Paulig enter the future.

Situated in the center for creativity and innovation in the heart of Stockholm, PINC's greenhouse serves as a growth engine for startups, both through investments and by using Paulig's networks and strengths: taste, consumer insights and strong brands.

Food safety and quality

Food safety and quality are top priorities for us, and the focal building blocks of customer and consumer trust. Our work to secure product quality and safety stretches from raw material farming and sourcing all the way to the consumer. We assess risks proactively and meet with our suppliers regularly to investigate their ways of managing quality and food safety to ensure that our raw materials, packaging and products meet our high requirements.

Traceability is central for food safety. In production, the batch numbers of raw materials and packaging material are registered,

enabling tracing of the raw material to the finished products and vice versa. This enables rapid blocking of products if any problem is detected and ensures full traceability throughout the delivery. In addition, sampling and analysing incoming raw materials is an important part of our quality work.

Averting recalls and complaints

At Paulig, we initiate and follow up recalls and withdrawals and we also listen to customer and consumer complaints carefully. During 2019, we initiated in total 9 recalls or withdrawals to pro-

tect consumers' health and safety and to ensure the high-quality standards of our products. Most of customer and consumer complaints concern the taste of the product and matters related to packaging. Our overall target is to reduce the number of customer and consumer complaints year by year, and we are pleased that the overall trend for Paulig is downwards. Earlier, the complaints we monitored at the divisional level. Now, in the new organisational structure, we are creating and implementing a common reporting system for complaints for Paulig during 2020.

For the Risenta brand, we experienced a number of quality problems related to moth damage during 2018 and reduction of consumer complaints was one of the focus areas in 2019. Following the intensive efforts, such as auditing all suppliers delivering raw materials that are sensitive to moth damage, implementing rigorous incoming inspection as well as improving the pest control at the factory, we got the issue under control – and the consumer complaints dropped drastically. Now, we have been focusing on raw materials supplier specifications to ensure that all Paulig requirements are always fulfilled.

One way of working for quality

After the organisational change in 2019, we started to work as one unified company and the new End to End Supply Chain Excellence QEHS team was set up with the primary mission of developing and harmonising our divisional processes and ways of working into a one common way. One of the first tasks was to define

We have managed to
**reduce the
number of
complaints.**



and launch a common recall process to ensure the ability to react quickly when needed.

In 2020, we will focus on establishing and strengthening one way of working within QEHS. We will define one common Paulig food safety & quality policy as well as implement an internal audit programme that will allow us to share our knowledge and experience. Furthermore, we will create a common way of handling and reporting deviations and complaints as well as relaunch our legal forum where we keep up to date with all food law changes and also



share information on how to implement upcoming changes in the best and most efficient way.

Management systems as a backbone for our work

In our own production, we follow up all our procedures carefully in everyday operations to ensure that none of our process phases fail. Our quality and food safety work is based on certified management systems. >> [See in detail in page 50](#)

2019 was a very intensive year when it comes to our management systems. Our production sites in Belgium and the United Kingdom successfully renewed their certifications in the new version of the food safety standard BRC. In order to integrate the food safety management with the environment and health and safety management that are based on ISO standards, three of our sites changed their certification to FSCC 22 000. In connection to these changes, we trained over 10 internal auditors.

Besides the internal and external audits, we welcome our customers to perform audits at our sites. This is done on regular basis and in average, we have around 50 days of customer audits at Paulig per year, especially in our sites in Belgium and United Kingdom.

Careful handling of chemicals

As part of our sustainability and safety work, we aim to minimise the usage of hazardous substances and chemicals in our own operations. Naturally, we do not use hazardous substances and chemicals in any of our products, but they are used in the maintenance and cleaning. All chemicals used on surfaces or parts in contact with food are approved for food contact. Any product intended for use at our sites goes through an approval process where the product itself and all included chemicals, and the related risks, are assessed.

The phasing out of the used chemicals is continuous work and is based on legal requirements from different countries, as well as requests by authorities and non-governmental organisations, when products not yet included in legislation are suspected of causing harm to humans or the environment.

case

Efficient processes for recalls and withdrawals

We take consumers' health as our biggest responsibility and priority. Still, we know that sometimes things can go in an unwanted way, and that is why we must have a good and efficient process in place to be able to react quickly.

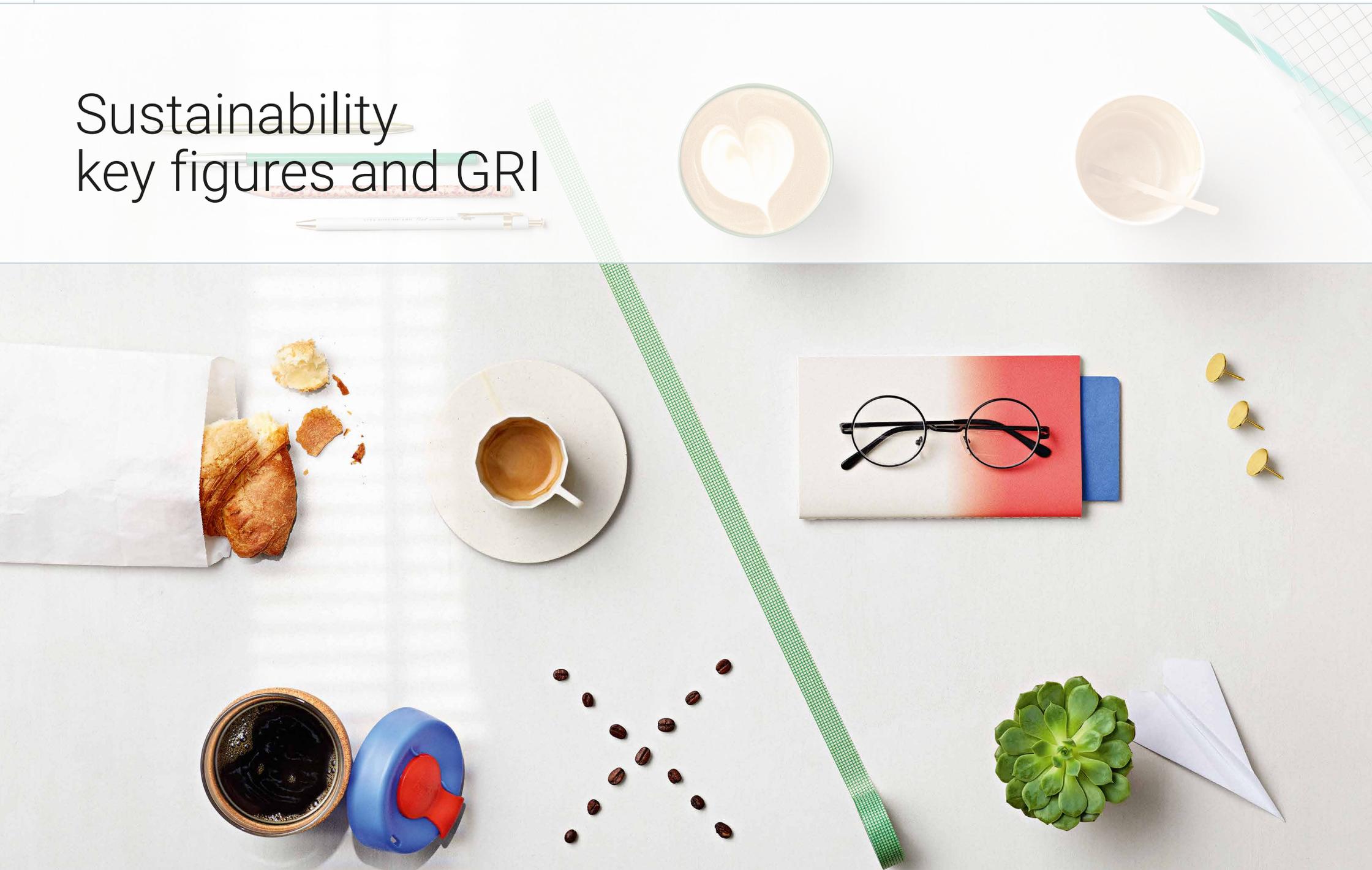
During 2019 we actively initiated 9 recalls. One of those, was related to Chia seeds and Sunflower kernels, when we by mistake produced these products with the wrong content and some of these packages reached the market. The content of the packages was sesame seeds or products with traces of sesame seeds which is an allergen.

After noticing the mistake, the product batches affected were traced, the decision to perform a recall was made and the remaining stock was blocked within 15 minutes. Crisis management team was gathered immediately, and the recall process was started.

Meetings with internal stakeholders were held every hour to evaluate and inform the status of the process, and to ensure the process is going according to then plan. By the end of the same day, all customers and authorities were informed, and the press release published.

The day after, we conducted a root cause analysis and had the lessons learned sessions to improve our risk assessments and recall processes. For instance, we modified our production documents, changed existing routines, improved our processes and organised training to the personnel involved in this process.

Sustainability key figures and GRI



Sustainability key figures 2019

Fostering social responsibility

Health & Safety

	2015	2016	2017	2018	2019	Target 2020
Number of Lost Time Accidents (LTA)	43	18	28	30	20	16
Lost Time Accident Frequency rate*	18.1	6.7	9.4	9.1	5.6	4.5
Number of Lost Time Days (LTD)	650	390	279	225	292	
Lost Time Day Severity rate**	0.27	0.14	0.09	0.07	0.08	
Number of near misses	960	820	537	560	512	
Number of risk observations	n/a	546	1,556	2,091	3,170	3,487
Number of accidents without lost days	n/a	n/a	155	198	161	

* number of accidents per 1 million hours worked

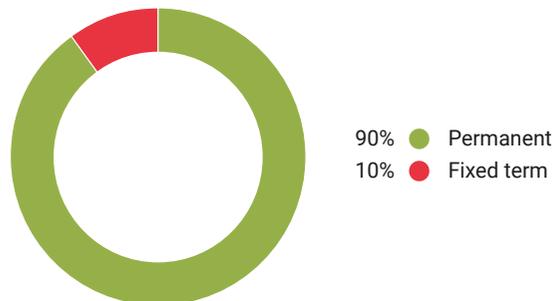
** number of lost days per 1,000 hours worked

Trainings for professional growth

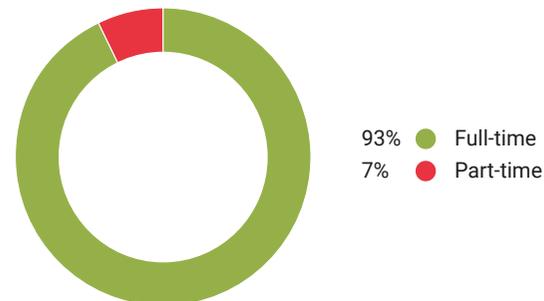
NUMBER OF PARTICIPANTS	2015	2016	2017	2018	2019
Leadership programme for managers	25	16	159	82	109
Sales and marketing	160	357	37	21	13
Paulig Sourcing Academy	40	38	64	27	11
Auditor training	15	7	4	1	0



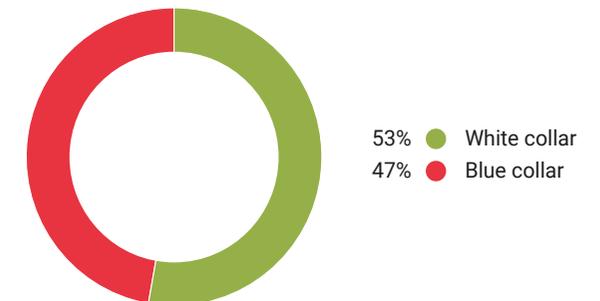
Employment contract



Employment type



Personnel groups



Caring for the environment

Energy consumption by source

MWh	2015	2016	2017	2018	2019
Natural gas	103,256	98,844	104,441	103,260	106,156
Electricity	58,160	60,955	59,269	61,124	68,234
Bio gas	6,094	13,190	13,422	19,355	19,416
District heating	6,066	8,408	6,942	6,447	8,329
Group total	173,576	181,398	184,075	190,185	202,135
<i>Energy intensity (MWh/tonne product)</i>	0.84	0.82	0.81	0.85	0.83
Share of renewable energy			28%	30%	29%

GHG emissions by scope

tCO ₂ e	2017	2018	2019
Scope 1	22,930	22,266	24,503
Scope 2	6,601	7,092	8,134
Scope 3	8,413	8,318	7,678
Group total	37,945	37,676	40,315
<i>GHG intensity (tCO₂e/tonne product)</i>	0.167	0.167	0.165

Emissions data 2017–2019 externally verified

The GHG emissions in our value chain are based on an estimate and lifecycle analysis made by external partners. The vast majority, 97% of our emissions, derive from the value chain, most notably from purchased raw materials (agriculture), logistics, packaging, and food waste. Here scope 3 includes: business travel, leased cars, CO₂ used as a protective gas in packaging and upstream emissions from energy GHG emissions for own operations are based on accurate data from all sites (factories, warehouses and offices).

Production volume

tonne	2015	2016	2017	2018	2019
Group total	206,742	221,331	227,390	224,935	243,864

Total waste by disposal method

tonne	2015	2016	2017	2018	2019
Animal feed	6,422	6,648	7,348	7,740	8,962
Material recycling	1,325	1,602	1,839	2,062	2,219
Incineration with energy recovery	2,031	1,771	1,779	2,116	1,761
Composting or biogas production	522	315	584	578	845
Cleaning salt	446	456	304	307	315
Sold or donated for human use	103	81	135	308	132
Landfill	184	153	41	23	29
Incineration without energy recovery	0	0	7	4	5
Unspecified	2	2	2	12	2
Total wastes	11,034	11,029	12,039	13,150	14,271
Waste recycling rate (%)	80%	82%	84%	84%	87%
<i>Total waste (tonne/tonne product)</i>	0.05	0.05	0.05	0.06	0.06

Water consumption

m ³	2015	2016	2017	2018	2019
Group total	114,509	121,392	115,862	122,466	133,245
<i>Water intensity (m³/tonne product)</i>	0.01	0.01	0.01	0.01	0.01



GRI content table

This report covers the sustainability work of Paulig in 2019. In the report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. In addition, the Food Processing Sector Specific Disclosures relevant to Paulig's operations were reported.

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Management systems in Paulig

AREA	CERTIFICATION	DESCRIPTION	TORTILLA FACTORY LANDSKRONA, SWEDEN	SPICE FACTORY GOTHENBURG, SWEDEN	SPICE FACTORY SAUE, ESTONIA	MIXING FACTORY STOCKHOLM, SWEDEN	COFFEE ROASTERY HELSINKI, FINLAND	COFFEE ROASTERY PORVOO, FINLAND	COFFEE ROASTERY TVER, RUSSIA	TORTILLA & CHIPS FACTORIES ROESELARE, BELGIUM	TORTILLA FACTORY MILTON KEYNES, UK	DISTRIBUTION CENTER KUNGBACKA, SWEDEN
Quality/ Food safety	BRC Food	British Food safety standard								x	x	
	BRC Storage & Distribution	Food safety standard for warehouse										x
	FSSC 22000	Combined ISO 9001 (Quality management systems and food safety)	x	x	x	x	x	x	x			
	ISO 9001	Quality Management systems					x	x	x			
	IFS Producer	German food safety standard								x		
	IFS Broker	German food safety standard for brokers (traded)								x		
	EU organic	Organic production	x	x	x	x	x	x	x	x	x	x
	Vitality leaf	Gluten free standard in Russia							x			
	Crossgrain UK	Gluten free standard in UK									x	
Crossgrain SE	Gluten free standard in Sweden				x							
Customer standards					x		x	x	x	x		
Environment/ Sustainability	ISO 50001	Energy management system								x		
	ISO 14001	Environmental management system	x	x	x	x	x	x	x		x	x
	Fairtrade	Sustainable supply chain					x	x	x			
	RSPO	Palm oil certificate								x	x	
	UTZ	Sustainable supply chain					x	x	x			
Health & Safety	ISO 45001	Health & Safety Management system					x		x			

ISO 9001 = Quality Management Standard

FSSC 22000 = Food Safety Management Standard

BRC = Food Safety Standard

IFS = International Featured Standards

ISO 14001 = Environmental Management Standard

ISO 50001 = Energy Management Standard

ISO 45001 = Occupational health and safety

Our membership in organisations 2019

Food and beverage industry associations

The Finnish food and drink industries' federation, ETL

The Finnish Food and Drink Industries' Federation, ETL, represents the interests of the food and drinks industry in Finland. ETL also acts as a corporate collaborative forum, in relation to authorities, trade, producers and other stakeholder groups. It is a member of FoodDrinkEurope. >> www.etl.fi

The Swedish food federation (livsmedelsföretagen)

The Swedish Food Federation represents the interests of food industry companies in Sweden. The Food Federation is a member of the Confederation of Swedish Enterprise (Svenskt Näringsliv) and member of FoodDrinkEurope. >> www.livsmedelsforetagen.se

The Belgian food and drink federation, Fevia

The Belgian Food and Drink Federation represents the interests of the food and drinks industry in Belgium. It is a member of FoodDrink-Europe. >> www.fevia.be

The Swedish flavour & spice association

An industry association representing companies which supply products giving taste and flavours to food and drink products. >> www.aromochkryddforeningen.se

The Estonian food industry association

The Estonian Food Industry Association is a non-profit organisation which represents and promotes the interests of Estonian food and drink products and industries. The organisation supports the members in communications with both consumers and the public sector and offers other services, being a respected counterpart for both public and private sector. >> www.toiduliit.ee

European coffee federation (ECF)

ECF is the umbrella organisation of the European coffee industry, which acts as the guardian on the EU level. >> www.ecf-coffee.org

European spice association (ESA)

ESA represents the interests of its members' vis-à-vis the competent bodies and departments of the European Union as well as international institutions and organisations. >> www.esa-spices.org

Kahvi- ja paahtimoyhdistys ry. (Coffee and roastery association)

The coffee and roastery association is the Finnish Food and Drink Industries' Federation's industry association, and a member of the European Union's umbrella organisation, the ECF (European Coffee Federation). In addition to representing interests, the association develops connections to the national researcher community, to follow coffee-related research, and closely follows foreign field research, questions pertaining to coffee and health, as well as environmental issues. >> www.etl.fi, www.kahvi.net

Russian Association of Tea and Coffee Producers

Russian Association of Tea and Coffee Producers was established in 1999 under the wing of the Russian Federation Ministry of Agriculture and has been cooperating with it under a special agreement. >> www.rusteacoffee.ru

Dagligvaruleverantörernas förbund (DLF Sweden) (FMCG trade association)

DLF Sweden is a trade association for companies that produce or import goods for resale to the grocery retail and foodservice markets in Sweden. >> www.dlf.se

Collaboration organisations

Roundtable for sustainable palm oil (RSPO)

RSPO is a global, multi-stakeholder initiative on sustainable palm oil. Members of RSPO, and participants are plantation companies, processors and traders, consumer goods manufacturers, retailers of palm oil products, financial institutions and NGOs. >> www.rspo.org

International coffee partners GMBH (ICP)

ICP is a non-profit collaborative company, founded by five European, family-owned coffee industry companies. ICP furthers sustainable development in coffee-producing countries by realising projects, which benefit coffee farmer families and the environment. >> www.coffee-partners.org

Coffee and climate (C&C)

ICP and the German developmental collaboration organisation GIZ started a joint coffee industry environmental project, Coffee & Climate, in the spring of 2011. In the project, smallholder coffee farmers are aided in adapting to the challenges presented by climate change. >> www.coffeeandclimate.org

Global Coffee Platform

The Global Coffee Platform (formerly known as the 4C Association) is a membership organisation of coffee farmers, trade and industry and civil society based in Germany. Members work jointly towards improving economic, social and environmental conditions for all who make a living in the coffee sector. >> www.globalcoffeeplatform.org

Finnish business & society (FIBS ry)

The goal of the network is to develop co-operation between the private and public sectors to promote socially and financially sustainable business. The organisation is a member of CSR Europe, European Business Network for Corporate Social Responsibility. >> www.fibsry.fi

Hållbar Livsmedelskedja (Sustainable supply chain for food in Sweden)

Leading Swedish food industry companies co-operate to ensure sustainable food production throughout the supply chain. The organisation roadmap for 2030 shows the way how to achieve a substantially more sustainable food production and consumptions in the Swedish chain for food. >> www.hallbarlivsmedelskedja.se

The Sustainable Spices Initiative (SSI)

The Sustainable Spices Initiative (SSI) aims to sustainably transform the mainstream spices sector, thereby securing future sourcing and stimulating economic growth in producing countries. >> www.idhsustainabletrade.com

Others

Nätverket mat & miljö (network food & environment), RI.SE

RISE Research Institutes of Sweden is Sweden's research institute and innovation partner. In collaboration with companies, academia and the public sector, they contribute to a competitive business community and a sustainable society. This particular network is a meeting forum for stakeholders in the food sector with the purpose to learn from latest research, facts and events within environmental sustainability. >> www.ri.se

Institute for scientific information on coffee (ISIC)

ISIC is an organisation formed by the largest European coffee companies. ISIC's Scientific Committee follows and funds scientific research which pertains to the health effects of coffee. Its communications committee produces information based on scientific research, for the usage of healthcare professionals. >> www.coffeeandhealth.org



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