



## **FROM BEAN TO CUP**

Corporate Responsibility Report 2010

*Paulig*



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# International home of quality coffees

**Gustav Paulig Ltd is Finland's biggest coffee company. Paulig is internationalising and has in recent years expanded its business operations, especially into out-of-home coffee markets. The company belongs to the Paulig Group, a food industry company known for its high-quality brands, and operates in several European countries.**

Founded in 1876, Gustav Paulig became the first company to practise industrial coffee roasting in Finland in 1904. Gustav Paulig is part of the Paulig Group, one of Europe's leading manufacturers of international foods and seasonings.

In addition to Finland, Gustav Paulig operates in the Baltic countries, Russia and Russia's neighbouring countries, such as Ukraine and Belarus.

Gustav Paulig also offers coffee vending machines and services to customers in the retail trade and Horeca sector, as well as to offices. Through its subsidiary, Vendor Group, the company is the market leader in coffee services in Finland and Estonia. These coffee services are also operated in Sweden, Latvia and Lithuania.

Paulig's coffee range includes lightly and darkly roasted filter coffees, coffee beans and espresso coffees. The coffees are roasted in the Vuosaari roastery, opened in 2009, and the new Tver roastery opening in 2011. In future, coffee destined for the markets of Russia and its neighbouring countries will be roasted in Tver, and coffee to be sold in Finland and the Baltic countries will be roasted in Vuosaari.

The most recognised brands are the traditional Juhla Mokka, Presidentti and

Brazil coffees. In Russia and the Baltic countries, the most popular are Paulig President and Paulig Classic, as well as Paulig's espresso products.

## **A pioneer of responsibility reporting**

Gustav Paulig is a pioneer of reporting on corporate responsibility in the Finnish food industry. Through its eighth corporate responsibility report on the year 2010, Gustav Paulig relates its responsible business operations in the fields of social, environmental and financial responsibility. The basis for reporting is the Global Reporting Initiative (GRI) framework.

The GRI indicators and their explanations can be found in their entirety on Paulig's internet pages: [\*\*www.paulig.com\*\*](http://www.paulig.com).

In this report, Gustav Paulig is referred to by the name Paulig. The information contained within this report has not been verified. The degree of reliability is high, however, as the financial figures are from statutory accounting records. Paulig's own supply chain in Finland is covered by certified food-safety systems and environmental systems, and supervised by the authorities.

# Responsibly towards growth and internationalisation

To us, corporate responsibility means long-lasting operations and daily actions that are a part of our values and everyday leadership. Last year, we re-evaluated our responsibility work in order to better acknowledge the expectations of our interest groups.

The coffee procurement chain, our production's environmental friendliness and our own personnel have been the cornerstones of our responsibility work for many years already. It is good to continue building on the work already done. Consumers and customers expect more and more products and services that help them to make responsible choices.

We want to inspire people to enjoy genuine coffee and help them to make choices according to their values. Our aim is for Paulig coffee to represent quality and responsibility into the future, enabling the well-being of people, nature and the company.

## A good year despite challenges

Financially and operationally, the year 2010 was challenging. The price of green coffee rose to its highest in 14 years and has remained at a high level. The persistence of this price level is exceptional and we are following the situation's development. Preparations for a fully operational Vuosaari roastery and for the start-up of the Tver roastery, still under construction, have demanded a lot. Furthermore, the strikes of the spring hampered operations and put a strain on results.

We succeeded despite challenges. Our market position remained strong and the results were as expected. Paulig is still the leading coffee company in Finland. In the Baltics, we became the market leader in terms of sales volume. In Russia, we grew according to our targets, almost in step with the growth of the market.

We also progressed in the out-of-home markets. At the beginning of 2010, we acquired a majority stake in the Vendor Group, operating in coffee machine services. Because of the acquisition, Paulig became the market leader of coffee services in Finland and Estonia.

## Satisfied personnel bring results

Good leadership brings with it motivated workers and good results. Paulig has invested in recent years in the development of leadership competencies, such as the Paulig Group wide Bridge Leadership Development Program.

For the annual target-setting, we took into use during 2010 a new target-setting and development discussion process, named 3D. We measured job satisfaction among the personnel using the TellUs survey, the results of which prompted us to put into motion several measures to increase satisfaction.

## Central goals for 2011

### SOCIAL RESPONSIBILITY

- The development of the traceability of green coffee and the measurement of the degree of traceability
- The increase in the use of responsibility-certified green coffees and the widening of their range
- The communication of ethical procurement guidelines to partners in Nicaragua, Guatemala and Mexico
- The continuation of International Coffee Partners (ICP) projects
- The development of leadership skills
- The opening of the new online service for customers and consumers

### ENVIRONMENTAL RESPONSIBILITY

- The development of reporting on energy consumption
- The thinning of packaging material
- The launch of the Climate Change project with ICP partners
- The participation in projects for improving the Group's logistics

### FINANCIAL RESPONSIBILITY

- The launch of the Tver roastery's operations in Russia
- The strengthening of the market position in Russia and the Baltics, as well as in the out-of-home sector
- The investment in the development of new products and services

As part of the renewal of our business model, we started updating our responsibilities and job descriptions, which we will complete during the first half of this year. The development of internal communications continued with the introduction of a new intranet. In order to increase the openness of communications, we began monthly, morning-coffee sessions.

### **The year of growth and internationalisation**

In Russia and its surrounding areas, the consumption of roasted coffee is on the increase and we intend to be present throughout the growth. As well as the retail trade, out-of-home coffee business operations are developing strongly. Our new roastery under construction in Tver will become operational during 2011, placing us in a good position to answer the increasing demand in these markets.

Internationalisation and operating in many countries require a lot from us. Last year, we updated our company's processes and business model, so that our operations upon the launch of the new production facility would be as streamlined and as decisive as possible.

### **Bearing responsibility far and near**

We have persistently invested in operations in the countries of origin and the coffee procurement chain, in order to improve local conditions. Good examples of this are ethical purchasing instructions, the use of UTZ CERTIFIED and organic

green coffee, and the development of coffee traceability with our partners. We will continue to invest in the improvement of traceability and increase the proportion of certified coffees in our range of products.

For 10 years already, the projects of International Coffee Partners, which work towards the good of smallholder coffee farmers, have proved to be a successful way to increase the well-being of communities. This year, we will also launch the Climate Change project with our partners, aiming to slow down climate change.

Sustainable values also drive the operations of Vuosaari's roastery, which has

proved to be extremely energy efficient during its first full operating year.

I want to thank Paulig's personnel and partners. I believe that our professionals have the passion and the interest to participate in both the development of the coffee business and Paulig's success into the future.



Elisa Markula  
Managing Director





About 2.5 kilos of coffee berries are needed to produce half a kilo of green coffee beans. One tree can yield about 0.5–2 kilos of beans.

## Coffee's journey from bean to cup

Coffee trees grow on the slopes of mountains near the equator. Paulig acquires its coffee from all of the world's coffee-growing regions. For the most part, green coffee is purchased directly from the countries of origin from where it is transported via sea lanes to the roastery.

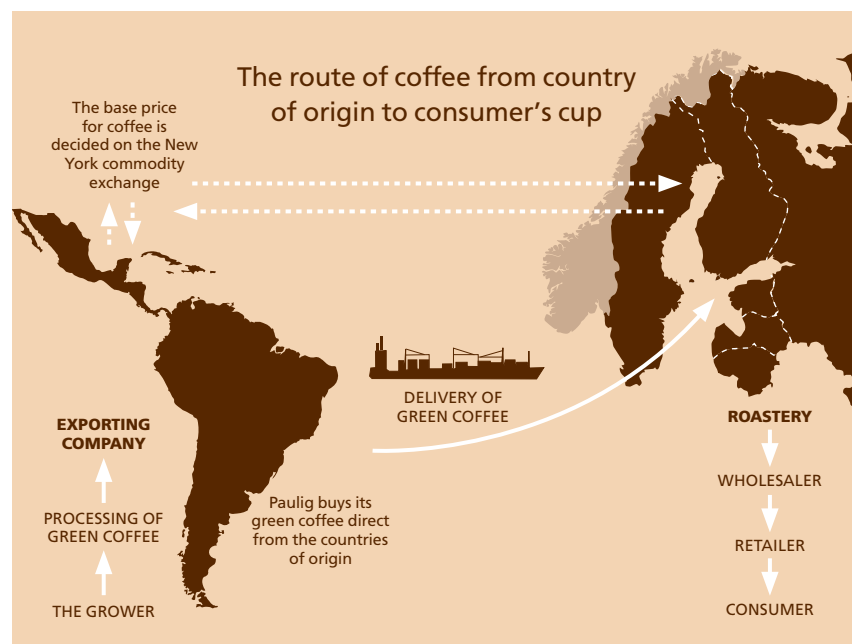
Coffee is cultivated in about 60 countries throughout different parts of the world, the biggest coffee producers being Brazil, Vietnam, Indonesia and Colombia. The majority of coffee is produced on small farms and over 20 million coffee farmers make a living from coffee. Harvest times vary from region to region so that, in practice, coffee is always being picked for production somewhere in the world. A good coffee crop requires steady temperatures and plenty of rain.

According to the International Coffee Organization (ICO), the world's production of green coffee for the harvest period 2010/2011 was 135 million bags (at 60 kg each). The proportion purchased by Paulig is approximately 0.7 percent of this total output.

The world's biggest consumer countries, according to the ICO, are the United States, Germany, Italy, Japan and France. Finns are in the lead when it comes to consumption per capita: in 2010 every Finn consumed 10 kilos of roasted coffee. After Finnish people, the next biggest coffee drinkers are Norwegians and Swedes.

## Coffee beans grow near the equator

One coffee tree produces 2.5–10 kilos of coffee berries which, in turn, yield 0.5–2



kilos of green coffee beans. Coffee beans are picked from trees either mechanically or manually. In Brazil, mechanical picking is the most common, as a significant proportion of coffee farms are located on level ground.

The most commercially significant varieties of coffee are Arabica and Robusta. Coffees most favoured by Finns are light roasts, made from high-quality Arabica

beans. Beans of the Robusta variety, used in espressos and other darkly roasted coffees, flourish in the harshest of conditions. This is why they are cultivated in places where Arabica does not usually grow. About 65 percent of the world's coffee

production consists of Arabica, and 35 percent Robusta.

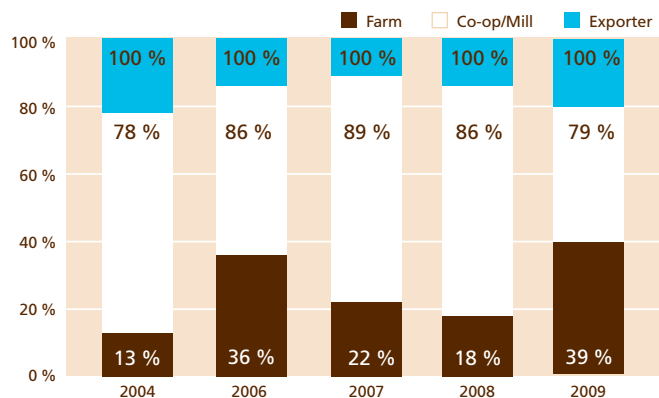
## Coffee is purchased directly from the countries of origin

In 2010, Paulig purchased close to 53 million kilos of green coffee, equating to almost 900 000 bags. Paulig's coffee originates mainly from Brazil, Colombia and Central American countries, such as Nicaragua and Guatemala, as well as African countries, including Kenya and Ethiopia.

Paulig purchases its green coffee directly from the countries of origin, and one consignment of coffee consists of the harvests of dozens of farmers. Almost all of Paulig's coffees are prepared by blending coffee brought from many different countries, to a carefully designed recipe. By purchasing coffee from different countries and at different times, Paulig ensures the constant availability of its raw materials and the high quality of its final products.

## Traceability 2004–2009

The results are for illustrative purposes. Research was conducted by sampling the most significant purchases.



# Responsible procurement

More and more consumers expect responsibility for production conditions from their coffee, in addition to excellent quality and taste. These, along with availability, are the central criteria in Paulig's coffee procurement operations. Paulig promotes responsibility in the coffee chain by, for example, developing the traceability of its products, increasing the use of certified coffees, requiring its partners to commit to ethical guidelines, and periodically meeting its partners in the countries of origin.



For years already, coffee purchases at Paulig have driven its procurement operational principles (the Paulig Code of Conduct), which trading partners have also committed to observing. These guidelines define, among other things, quality criteria and assurance practices for green coffee. They also take a stand on the environmental friendliness of farming methods, and the labour rights and work safety of farm workers.

Coffee berries usually turn red when ripe, but some varieties, such as the Bourbon pictured, turn yellow.

Behind the guidelines are the ethical instructions of the European Coffee Federation, as well as the instructions of the International Labour Organization and the United Nations.

## Communicating procurement principles in countries of origin

Paulig has in recent years communicated the principles of its procurement operations to its partners in different countries. The principles, or guidelines, are reviewed with the help of mutual discussions. During 2010, Paulig reviewed the guidelines with its partners in Colombia, Ethiopia and Kenya, and during 2011, the guidelines will be reviewed in Nicaragua, Guatemala and Mexico. After this, the guidelines will have been communicated in all of the main countries of production.

In the countries of origin, farmers benefit from common goals

and guidelines, as the commitment to long-lasting cooperation produces solid results and improves the lives and future prospects of smallholder coffee farmers and their families. In future, the traceability targets will be country-specific. The countries' different stages of development will be taken into account so that the targets will be realistic.

### Traceability and certifications bring transparency

The aim of Paulig is to determine as far as possible the traceability of all coffee it purchases. Traceability is a part of risk and quality management. The better the origins of a coffee are known, the better possibilities there are to influence the supply and production chains.

According to the most recent investigation, Paulig was able to trace 100 percent of purchased coffee to the exporting companies, 79 percent to the cooperatives, and 39 percent all the way to the farms. Traceability studies will be continued during 2011. They are conducted randomly, but cover a significant part of green-coffee procurement (see figure on page 7).

### Several certificates

Responsibility can be promoted in the coffee chain by also using responsibility certifications, such as UTZ CERTIFIED, Fair Trade, Rainforest Alliance or Organic. The challenge of using certified green coffees is its uneven availability, as their share

of the world's total coffee production is estimated at only 3–5 percent. The quality of raw materials has a major effect on the taste and aroma of finished coffee products and thus consumers' purchasing decisions.

Since 2006, Paulig has used UTZ CERTIFIED green coffee in its responsibility-certified products. Responsibility-certified coffees account for about four percent of Paulig's sales. The product range includes the Paulig Mundo, Brazil, Paulig Espresso Originale and Paulig Kenya products.

The origins of UTZ CERTIFIED coffee can always be traced as far as the individual farms. The farmers participating in the programme are able to show that they can produce coffee professionally, taking into consideration people and the environment during production. More information: [www.utzcertified.org](http://www.utzcertified.org).

During 2010, Paulig has also examined the possible uses of other responsibility certifications. In the HoReCa market, in particular, there is demand for Organic and Fair Trade products. Therefore, there will be several new additions to Paulig's range of products in the autumn of 2011.



Coffee farmer Sr Jesus Lourenço da Silva is participating in the ICP project in Sao Francisco de Paula, Brazil.

### International Coffee Partners: 10 years for the good of coffee farmers

Founded in 2001 by Paulig and four other European coffee companies, International Coffee Partners has created through their practical projects new possibilities for the work and lives of a multitude of smallholder coffee farmers. Improving farming skills, raising harvest yields and quality, increasing the level of organisation, constructing facilities for processing coffee berries, farming alternative crops and repairing homes: these have all enhanced the livelihoods of thousands of farming families already.

Five hundred farming families participated in the very first projects in Guatemala and Honduras. So far, over 16 000 farmers from 11 countries in South and Central America, Africa and Asia have participated in the projects. The duration of a project is 3–4 years and, so far, seven projects have been completed, six are currently running and two more are in the pipeline.

The objectives of ICP are carried out in conjunction with the eurozone's public sector, international organisations and local development organisations, among others. ICP funds about a half of the projects' costs, so investments to date have been almost 6 million euros, of which Paulig's share is about a fifth.

A Brazilian farmer, Sr Jesus Lourenço da Silva, has planted 3000 coffee saplings on his farm. With the help received from ICP, he has succeeded in improving quality and increasing the farm's output. Whereas an earlier harvest would have produced 27 bags, this year's harvest will produce 52 bags.

More information: [www.coffee-partners.org](http://www.coffee-partners.org)



## Price of green coffee at record level

The global market price of green coffee rose sharply during 2010 and reached its highest in 14 years in March 2011. In addition to availability and harvest outlooks, international investments increasingly affect the price. Also, the strengthening of the dollar relative to the euro has added price pressures.

The price of coffee is determined on the New York and London coffee exchanges. From Paulig's standpoint, the New York exchange is the most significant because 98 percent of the coffee purchased by Paulig is Arabica coffee which is quoted in New York.

The price of a single shipment of coffee is affected by the global market price quo-

ted on the commodity exchange, as well as the quality of the coffee shipment in question. A premium is paid for good quality, on top of the market price. This premium for quality coffees has risen considerably, because the demand for coffee has outstripped supply. Because Paulig purchases superior varieties in abundance, the rise in the price of green coffee has had a particularly strong

and direct effect on Paulig's operations. Such situations require careful risk management and hedging against the risks of both green coffee prices and currency.

### **The price of coffee rose sharply in 2010**

The global market price of green coffee rose sharply during 2010. In the middle of June,

the price soared from 130–135 US-cents to about 170 US-cents per pound (one pound is 454 grams). During the autumn, the price continued to rise strongly and finished at the end of the year at 242 US-cents per pound. When the effect of currency is taken into account, the price increased during last year by 70 percent. This was the highest quote since the 1997 freeze, which resulted in the price of coffee rising temporarily at a high level. The rise in costs of raw materials was also reflected in the consumer prices last autumn.

Before, the price of green coffee was able to be forecasted on the basis of coffee harvests – on a good harvest year, the price dropped. The coffee harvest at the turn of 2010–2011 was very good, but despite this, the price of coffee remained high.

Because of the global recession, the prices of all raw materials have risen as capital has gravitated from shares to raw material funds. Also, differences in currency rates, especially the strengthening of the US dollar relative to the euro, have increased price pressures.

### Increased uncertainty in the coffee markets

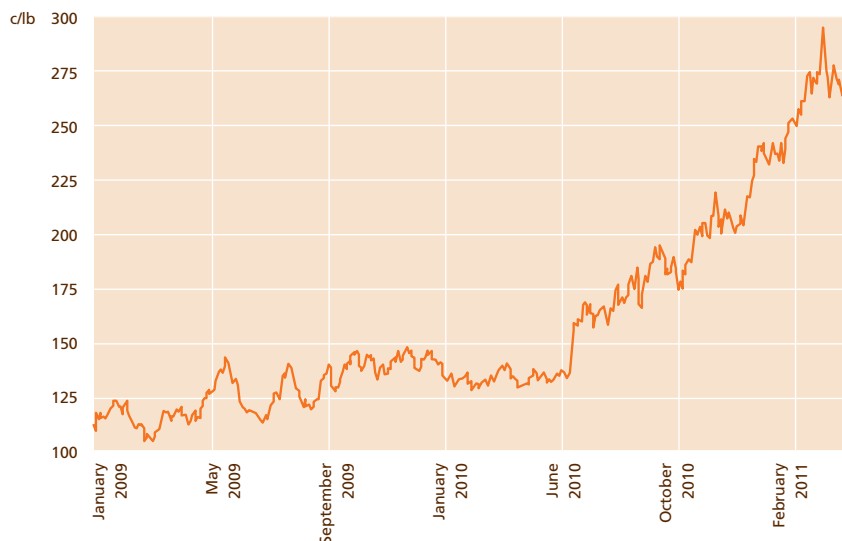
Weather conditions and climate change have increased uncertainty in harvests. Unexpected changes in weather have tested the superior varieties of raw materials purchased by Paulig, the supply and demand for which is already sensitive.

The increase in the consumption of coffee in emerging markets is also causing price pressures. It is expected that the demand for green coffee will outgrow its production. Due to climate changes, coffee cultivation in some areas may disappear completely.

It is important for Paulig that coffee varieties are sufficiently available in order to guarantee a sensuous and consistent quality of coffee. Only the best varieties of raw materials are capable of fulfilling Paulig's demanding criteria. Light roast coffee, which is traditionally favoured in Finland, is produced of Arabica beans of high quality.

### The price of green coffee on the New York coffee exchange from January 2009 to March 2011

Information is based on the second month's daily closings of New York's coffee exchange.



### NUCOFFEE – new purchasing partner concentrates on transparency and quality

In 2010, Paulig commenced collaboration with NUCOFFEE, a coffee export company operating in Brazil and concentrating specifically on coffee traceability and sustainable production. The company's register contains already over 800 coffee farms. Over the Internet, Paulig is able to follow the operations and trace the coffee of each farm in real-time.

NUCOFFEE works in close cooperation with local farmers. The objectives of this cooperation are to increase the production of quality coffees, develop cultivation methods and create close relationships between the coffee farms and coffee roasteries.

"Our customers want traceable, quality coffees. To make this possible, we actively support our network of growers in developing coffee cultivation and creating long-lasting relationships. Our operations also help to further develop working conditions and the management of environmental issues," says **Daniel Friedlander**, NUCOFFEE's Partnership & Marketing Manager.

There are 60 agronomists in the service of NUCOFFEE who, during the growing season of 2009–2010, guided over 1500 growers on their farms. After the growing season, over 8 000 farmers participated in training sessions organised by the company.

More information on [www.nucoffee.com](http://www.nucoffee.com).



Santos harbour in Brazil is Latin America's biggest harbour, where the majority of the world's coffee consignments are shipped. Santos has been an important port of departure for global coffee transportation since the beginning of the 1900s.

# Efficient transportation conserves the environment

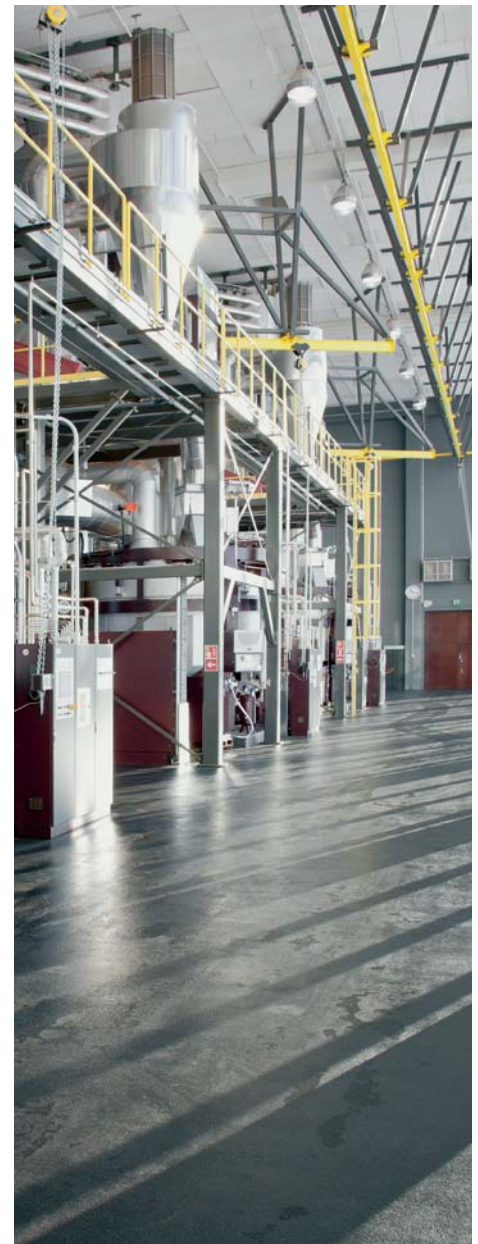
Paulig imports the green coffee it requires by sea from the countries of origin. The environmental friendliness and efficiency of the logistics chain is improved by the roastery's location right next to Vuosaari Harbour. Collecting the finished coffee products is taken care of mainly by the customers.

Paulig's coffee is transported in 20-foot containers on ocean vessels from the countries of origin to Central Europe's biggest ports, primarily Hamburg. There, the containers are transferred to smaller feeder vessels which take the coffee onwards to Helsinki. The sea journey from the countries of origin to Finland usually takes about four weeks and, on average, green coffee arrives at Vuosaari Harbour three times a week.

Over 90 percent of the green coffee arriving for Paulig is brought in 21-tonne bulk containers, in which the green coffee is packed in one huge nylon sack. The remainder is transported in jute sacks, each with a capacity of 60–70 kilos depending on the variety of green coffee.

One container manually loaded with jute sacks can hold 17–19 tonnes of green coffee. Each container holds only one variety of green coffee, preventing different varieties from mixing with each other. In 2010, over 2500 containers of green coffee were imported to Vuosaari.

In Vuosaari, the coffee containers are transferred by truck from the harbour area directly to the roastery, where, after being checked for quality, they are stored in the green-coffee silos to await roasting. After roasting, grinding and packaging, the coffee ends up in the finished-product warehouse, from where it is delivered onward to the wholesalers' distribution centres or for export abroad.



In Finland, transporting the coffee products to the retail chains' warehouses is handled by the customers' own transportation partners. For the purposes of transportation, the coffee products are packed on to recyclable ½-EUR or EUR pallets which are of dimensions appropriate for trucks. Paulig's delivery service carefully plans the packing of the loads and their

transport routes, in order to minimise the number of deliveries.

### Intensified logistics in the Baltics

In the summer of 2010, Paulig commenced direct deliveries from the Vuosaari warehouse to the Baltic countries. Consequently, the warehouse situated in Tallinn was closed, having used to operate as an

interim warehouse for coffee destined for the Baltic, Belarusian and Ukrainian markets. In future, the storage of coffee products will also be possible in Tver, from where the products can continue their journey to Russia and its neighbouring countries such as Ukraine and Belarus.

Removing the warehousing in Tallinn has improved production optimisation, reduced losses, saved on costs and enabled a reduction in the level of warehousing in Vuosaari too. Shipments headed for the Baltic countries are handled by Paulig's transportation partners. Concerted efforts are made to capitalise on maximised loading spaces, e.g. by combining the distribution loads of different customers. A cost-efficient distribution model reduces the number of transportation stages and conserves the environment.



Green-coffee beans are mostly brought to Vuosaari packed in big nylon sacks, in 21-tonne containers. When unloading the sacks, bean samples are taken for examination in Paulig's laboratory. Antero Tirronen supervises unloading.

*“Paulig insists on the complete traceability of green coffee containers from the countries of origin to Helsinki.”*

### Evaluating our partners

Whenever possible, Paulig evaluates its partners from the perspectives of quality, the environment and responsibility. For example, from its shipping partners, Paulig insists on the complete traceability of green coffee containers from the countries of origin to Helsinki. In 2010, Paulig commenced a group-wide development project with the purpose of unifying evaluation and acceptance procedures for the suppliers of goods in all of Paulig’s companies. Responsible procurement principles have been made the project’s primary focus area. The evaluation of shipping companies has started and will be continued throughout 2011.

### Green coffee direct to Tver

To date, Paulig has roasted coffee destined for the Russian market in its Vuosaari roastery, but upon the opening of Russia’s roastery, coffee production will be mostly transferred to Tver. The change will also affect logistical arrangements. Transport emissions will be reduced by as much as a half, as a considerable proportion of the transportation of coffee products from Finland to Russia will cease. The purchasing of Tver’s green coffee will be handled in Finland, but green coffee shipments will be directed straight to Russia via the port of St Petersburg, from where the coffee containers are to be transported by truck to Tver. Approximately 10 percent of Paulig’s coffee will be roasted in Russia.



Most of the coffee enjoyed in Finland is packed in logistically efficient half-kilo vacuum packages.



# A new roastery for Paulig in Russia

Paulig's new roastery in Tver will launch operations during 2011. The modern roastery will serve the growth markets of Russia and its neighbouring regions.

Paulig is growing and internationalising in accordance with its strategy. The demand for high-quality roasted coffee is on the increase in Russia, which means that there are opportunities for growth in the Russian market and those of its neighbouring regions. The construction of Paulig's own roastery was justified for reasons of logisti-

cal efficiency, speed and avoiding Russia's expensive customs fees.

The city of Tver is situated close to good rail and road connections about 160 kilometres northwest of Moscow, and enjoys a favourable climate for enterprise. Paulig commenced construction of the new roastery in the autumn of 2009 and

aims to launch the roastery's operations during 2011.

## A modern and efficient roastery

The new roastery is modern and efficient. Its design was based on Paulig's Vuosaari roastery which is the world's most modern in terms of process engineering and

**The Tver roastery in brief** Personnel: 40 (initially) • Production capacity: 6000 tonnes  
• Prime contractor: ZAO Haka Moscow (Russian) • Designer: KVA Architects Ltd (Finnish)



Paulig's new roastery was constructed in Tver, Russia, situated close to good rail and road connections about 160 kilometres northwest of Moscow. The roastery will begin operating during 2011.

systems solutions. Sustainable values have also driven construction choices, and attention has been paid to efficiency, scalability, safety and workplace satisfaction.

The Tver roastery is similar to the Vuosaari roastery in its basic operations, and also Finns have been involved in the project from the very start. Initially, there will be 40 people working at the roastery. Staff training was put into action already well in advance of start-up. The factory's management, as well as the people responsible for production and quality control, were trained at Vuosaari and were assigned Finnish mentors, enabling efficient on-the-job training.

The commissioning of the roastery benefits from the experiences gained in 2009 at Vuosaari. The production stages of each product are reviewed one at a time, taking into consideration every detail and without compromising high quality.

### Coffee consumption growing in Russia

Russia is traditionally a tea drinking country, and most of the coffee that is consumed is instant coffee. The drinking of roasted coffee is not very established and most kitchens are not even equipped with a coffee machine. Consumers are not as faithful to brands as they are in Finland, but prefer to sample different products. Nevertheless, coffee consumption is growing quickly, particularly in big cities.

In the Tver roastery, Paulig will concentrate on high-quality coffees, in particular. The new roastery will also enable mid-priced quality coffees to be produced, as well as offer private label products to customers. Throughout 2011, Paulig's active product development will be seen in Russia and its neighbouring regions in the form of new products.



Tver roastery's Safety Engineer, Alexey Berezhnov (left), and Production Manager, Anatoly Panchev, inspect the safety of the worksite surrounding the new roastery.

# Quality and product safety in a key position

Paulig is known as a quality brand whose products can be trusted. Paulig takes care of the quality and development of its products and operations in many ways. Quality management capitalises on the use of international standards and third party inspections, and the coffee's excellent flavour is ensured by an experienced tasting team.

Self-monitoring during day-to-day work is an essential part of quality assurance. It covers every stage of processing coffee, from the procurement of green coffee and its production processes, to the end product.

Paulig examines samples from every consignment of green coffee before the purchase decision. Samples are taken when the consignments are loaded on to the ship and when they arrive at the roastery, and then analysed in Paulig's own coffee laboratory in Vuosaari. Among other things, moisture levels and bean-size distributions are evaluated.

The true character of the coffee is not revealed until it has been roasted and prepared for drinking. Therefore, all coffee samples are roasted and then assessed by a professional tasting team for appearance, aroma and flavour. The quality of every coffee consignment is assured by repeated sensory evaluation before the product reaches the consumer.

## Certificate for work safety

As an employer that recognises its responsibilities, Paulig has paid a lot of attention to occupational health and safety, as well as to workplace satisfaction, during the commissioning of the Vuosaari roastery. At the beginning of 2011, the roastery achieved OHSAS 18001 work safety certification for the first time.

Paulig has already in place the ISO 14001 environmental management system and the ISO 22000 food safety management system. In 2010, the renewal of both certificates was accomplished as planned. Furthermore, market- and product-related certificates are in place, concerned with coffee traceability and improving the living conditions of cultivators.

## Monitoring product safety and consistency

In the roastery, the production of coffee is controlled by the operating system which is based on many standards. Its objective is to guarantee safe and consistent products,

taking into account the environment and work safety during production.

The functionality and efficiency of the system is assessed regularly through external and internal auditing, helping to ensure that day-to-day operations proceed in the best possible way.

Also, some customers conduct their own inspections as required by their own directives. For example, McDonald's sets detailed quality and product safety demands for all of its suppliers.

Paulig's consumer service monitors the numbers of errors and complaints regarding quality, as well as answers consumers' questions. During 2010, the number of complaints relating to technical issues, such as failed vacuum packaging or coffee off-flavours, decreased slightly from 18 to 17 per million production-kilos.

In December 2010, Paulig's management team approved a new management policy, replacing earlier policies covering environmental, quality and product safety issues.



Professional tasters assess every batch of coffee for appearance, aroma and flavour before the product reaches the consumer. Development Manager, Karla Koullias (left), and Quality Technician, Kirsi Raukamo, belong to Paulig's tasting team.



Production Manager, Erkki Enström, and Operations Director, Minna Forsström, are satisfied with the production efficiency of the new roastery.

# Modern roastery conserving the environment

During its first full year of operations, Paulig's new roastery in Vuosaari proved to be extremely energy efficient. The new roasting technology clearly reduced the use of natural gas. Paulig pays attention to the environmental effects of coffee production by, among other ways, recycling and striving to reduce the amount of waste.

In 2010, Paulig produced 46 000 tonnes of coffee in the Vuosaari roastery, a growth of about one million kilos over the previous year. In terms of half-kilo coffee packets, the output of 2010 corresponds to over 90 million packets. The all-time record for one day's production was achieved in November 2010 when, over three shifts, a total of 276 596.2 kilos of packaged coffee was produced.

The year 2010 was the first full year of operations at the new roastery. The effects of starting up the new roastery on energy consumption, emissions and amounts of waste can be seen by comparing the figures for the years 2010 and 2008. The figures for the year 2009 are an exception

as Paulig operated out of two roasteries for part of that year.

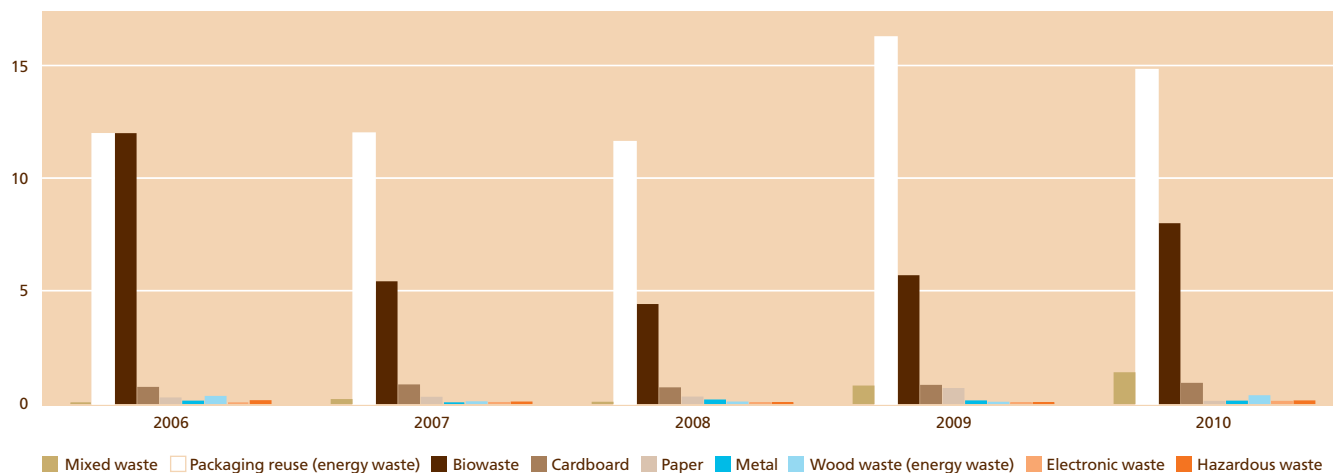
## Environmental responsibility – energy use and water

Paulig's coffee roastery uses natural gas as the energy source for roasting. Despite increased production, the consumption of natural gas fell by almost a quarter compared to 2008; 22.3 percent in total and 24 percent per production tonnes. The decrease in natural gas consumption is due to the more energy efficient production process. Thanks to new roasting technology, waste heat produced during roasting can be recovered and used in preheating the next batch of coffee.

The total energy consumption per production tonne of coffee fell slightly compared to 2008. The total energy consumption, per production kilo, was 5.5 percent less than at the old roastery.

The consumption of heating energy and electricity in 2010 rose slightly compared to 2008. The increase in electricity consumption is mainly due to the new roastery being larger in volume. Machinery and building systems, compliant with modern standards, have also raised electricity consumption. These systems are used for regulating, for example, the air-conditioning in the production hall and the moisture and temperature of air in the packaging material warehouse.

Amount of waste per calendar year per production tonne (kilos/tonne of coffee produced)



Small amounts of water are used in the production process to cease the roasting of coffee beans. The consumption figures for water in 2010 cannot be compared with the previous years' figures, as they used to include the consumption of water for the whole premises. In the new roastery, water used in production can be measured separately.

### Efficient waste management

Paulig's aim is to minimise the amount of non-recyclable waste arising from production. In 2010, the total amount of waste increased due to the demolition of the old roastery, the start-up of the new roastery and the relocation of personnel. These activities can be seen in the high mixed waste figures.

The bulk of the production equipment from the old roastery was reused either in the new Vuosaari roastery or in the Russian roastery. A proportion of building materials, such as façade elements and silo parts, were sold to new building projects. Demolition waste was sorted carefully and delivered to the appropriate handling facilities.

### Reduced odour emissions in Vuosaari

The odour panel formed in 2009 continued its monthly monitoring of the surrounding areas of the Vuosaari roastery. The evaluation work of the odour panel

is based on definitions laid down by the environmental authorities. There are six monitoring points in total, of which at least three are visited every month. The information gained through sensory evaluations enables Paulig to avert any potential problems. The spread of odours depends mainly on prevailing wind and weather conditions and Paulig reports the panel's results to the environmental authorities on a regular basis.

### Reducing packaging material

Paulig's aim is to use functional and quality packaging alternatives that protect the coffee products and, at the same time, put as little strain as possible on the environment. The most important function of packaging material is to ensure the preservation of the coffee or, in other words, to protect the product from light, oxygen and moisture. Furthermore, the packaging has to be easy for the consumer to use.

The majority of Paulig's coffee products, about 75 percent, are vacuum packaged. The best-selling coffees, Juhla Mokka and Presidentti, are packaged mainly in half-kilo laminate packets. Paulig develops materials together with their manufacturers. During 2010, the packaging laminate for Juhla Mokka was thinned by 5 percent in terms of its overall weight. Investigations are currently

being conducted on how to further reduce the weight of the packaging material used. In addition to making materials thinner, technically superior materials are being developed so that the durability of the packaging remains the same.

In order to replace the aluminium used as an oxygen barrier in packaging, other materials are being investigated. There are several alternative materials; for instance, EVOH plastic films. The aim is to relinquish the use of aluminium in the packaging of horeca products by the beginning of 2012.

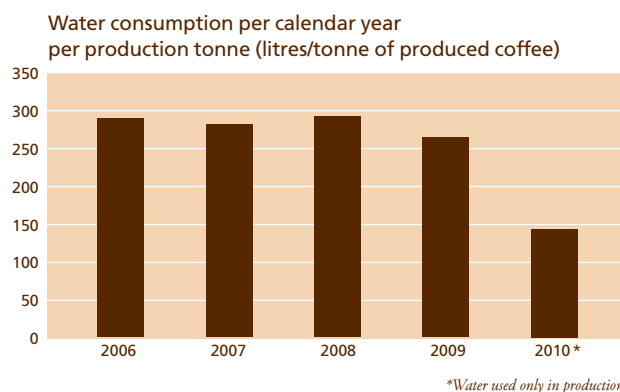
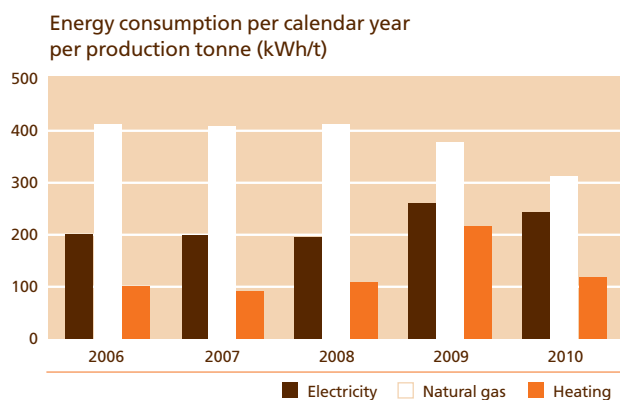
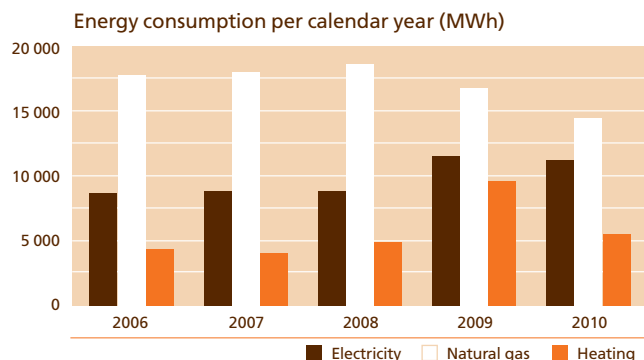
Retail and horeca customers recycle packaging material used in transporting coffee, such as cardboard and plastic. Plastics can be utilised in the production of plastic bags for retail shops, for example.

### Environmental work also in the office

In 2010, Paulig received positive feedback from the Green Office assessment. Special acknowledgement was given to the organisation of waste management, as no mixed waste whatsoever is generated at the office. In future, Paulig will especially concentrate on differentiating the office's effects on the environment from those of production, reducing work trips by utilising video conferencing, and inspecting the procedures related to the use of company cars.

Amount of waste per calendar year (tonnes)

	Mixed waste	Packaging reuse (energy waste)	Wood waste (energy waste)	Bio-waste	Cardboard	Paper	Metal	Electronic waste	Hazardous waste	Plastic	Glass
<b>2006</b>	0.00	513.50	12.60	514.80	29.50	9.60	3.50	0.00	4.44	0.00	0.00
<b>2007</b>	6.60	526.50	2.10	236.80	35.20	11.10	0.00	0.77	1.55	0.00	0.00
<b>2008</b>	1.20	521.40	2.00	196.90	30.30	11.80	5.74	0.44	0.61	18.40	1.10
<b>2009</b>	33.10	719.90	1.20	250.70	34.60	28.60	3.80	0.33	0.39	10.00	2.00
<b>2010</b>	61.72	679.90	14.54	366.38	40.14	3.30	3.90	3.10	4.20	0.00	5.76



Emissions per calendar year (tonnes)

	Dust	Hydro-carbons	Carbon monoxide	Carbon dioxide	Sulphur dioxide	Nitrogen oxides
2006	1.4	28	140	7278	0.03	5.2
2007	1.4	29	144	7444	0.03	5.3
2008	1.5	30	147	7619	0.03	5.5
2009	1.5	29	146	7564	0.03	5.4
2010	1.5	30	150	6850	0.03	4.9



Responsibility-certified Paulig Mundo coffee is served in McDonald's restaurants in Finland.

## Biodegradable packaging material was praised

Paulig has investigated for a long time the possibilities of using biodegradable materials in its coffee packets. If the coffee could be packed in biodegradable packaging, nothing would remain of the product to be placed in mixed waste.

In 2010, together with its long-standing customer, McDonald's, Paulig tested biodegradable packaging materials in 31 of McDonald's restaurants in Finland. McDonald's serves in its restaurants Paulig's responsibility-certified Mundo coffee. The coffee packets belong to mixed waste, but the biodegradable laminate under testing can be safely placed in the biowaste bin. The aim of the trial run was to test mainly the functionality of the packaging, made of paper and starch-based glue, in relation to restaurant usage. Also tested was the packaging's ability to protect the product from light, moisture and oxygen.

During the pilot, the unique packaging received full points for all of its properties. The aroma and quality of the coffee was preserved immaculately and the biodegradable packaging was easy to open. The restaurant workers also quickly learned to discard the packaging as biowaste.

"Biodegradable coffee packaging would be a good alternative for McDonald's restaurants because it would reduce the amount of waste, and thus clearly present an environmentally friendly solution for restaurant usage. The feedback we collected from our staff was almost exclusively positive," says **Juha-Pekka Vieno**, Quality Assurance and Environment Consultant for McDonald's Finland.



Good leadership is the key to the personnel's satisfaction at work and the achievement of good results. Developing the skills of supervisors is one of the main aims of the Bridge programme, currently underway in the Paulig Group. Lars Ahlroth (left), Risto Kalsta, Tanya Salmela, Trina Törnqvist, András Koroknay-Pál and Päivi Suomalainen conduct group work during a Bridge-programme training session.

# Success is based on competent people

Paulig values the professional skills of its personnel and invests in the competence development and well-being of its employees. The main theme for competence development in 2010 was the introduction of the new, common leadership model into everyday work throughout the whole Paulig Group. Also, the new target-setting and development discussion process, named 3D, has an important role in the creation of the new leadership culture.

At Paulig, it is believed that good leadership is the key to the personnel's satisfaction at work and the achievement of good results. The aim is to create a common leadership model for the whole Paulig Group. The Bridge Leadership Development Program, started in 2009, is one of the tools used for changing the leadership culture. In 2010, participants of the program comprised 140 managers from 11 countries.

The aim of the Bridge Program is to further develop leadership capabilities. The program deals with, among other things, how line-managers can best support their employees and how the strengths of every worker can be brought forward in the best possible way. The new leadership model has behavioural indicators that describe good leadership and how it can be measured. In addition, it offers practical tools for everyday work.

Personnel development will continue during 2011, when the main focus will be placed on the development of sales skills and procurement operations. In both of

these development programs, the improvement of operational methods and work tools throughout the whole corporation will be examined.

## Developing competency through discussions

At Paulig, the core of a line-manager's work consists of target-setting, feedback,

### PERSONNEL FIGURES (AS OF 31.12.2010)

#### At Gustav Paulig (in Finland):

- The number of employees was 210.
  - 126 were office personnel and 84 were production personnel.
  - 100 employees were female and 110 were male.
- 186 employees had permanent contracts.
- 16.5 years is the average length of employment.
- 43 years is the average age of the employees.
- 3 employees retired.
- The union membership rate among roastery workers was about 90 percent.

The number of employees in Russia and Ukraine was 55 and in the Baltic countries 15.

The number of employees in the subsidiary company Vendor (in Finland, Sweden and the Baltic countries) was 166.

At Vuosaari, there was an additional 30 employees from external service providers working, for example, in the personnel restaurant, in security and in warehousing.

and development discussions which aim to develop expertise, measure competency, and recognise one's own possibilities. In 2010, development discussions were conducted according to the new 3D model. During the introduction of the model, line-managers were trained to set measurable targets, provide feedback and create development plans.

### Measuring job satisfaction among personnel

Paulig's aim is to be the best workplace for professionals in the food industry. Paulig measures its success in this aim every other

year with the help of the TellUs survey. In 2010, the personnel survey was conducted for the first time across the whole Group. TellUs is a unified way to measure personnel satisfaction, motivation and commitment. Of the Coffee Group's personnel, 88.7 percent responded to the survey. Positive feedback was given on, among other things, the commitment of the personnel and the strength of their employer's image. Areas especially highlighted for improvement within the Coffee Division were the development of internal communications and the clarification of everybody's job descriptions and responsibilities.

### Jobs created by construction of roastery in Russia

The year 2010 was the first full year of production at Paulig's

new roastery. The start-up of the new roastery and putting it into full working order required a lot of work from the entire workforce, but it succeeded. The all-time production record was achieved in 2010.

At the same time, Russia's roastery project began at full pace and, throughout the year, widely employed personnel from different parts of the Coffee Division, both in Finland and in Russia.

For the participants of the project, language training was organised, as well as training related to Russian customs and business skills. In the expansion of international operations, Paulig wishes to support the mobility of its workers and has already improved opportunities for job rotation within the corporation. It develops personnel competence across operational and national boundaries, and brings the corporation's different activities closer to each other.

### Concern for well-being

The Vuosaari roastery has its own occupational health centre, administered by a nurse and a part-time doctor. In its other countries of operation, Paulig organises healthcare by, for example, the purchase of external services. Health services aim to detect illnesses and work-related risks as early as possible and maintain occupational health.



### VALUES

Passion through quality

Results through teamwork

Taking responsibility

Consumer-focused innovation



Grinders, Carina Hietala (left) and Ari Vuoriainen, work in the roastery's supervision. The new working environment has brought many new kinds of working methods and tasks.

Paulig supports the well-being of its personnel at work by also supporting free-time activities in Finland and Estonia. Family members of Paulig employees can also participate in the yearly summer and winter events.

### Work safety was certified

In 2010, Paulig's work safety was enhanced in many ways. As a result of work begun in 2009, the Vuosaari roastery was awarded the OHSAS 18001 certificate for the first time. The focus of the inspection included the performance of the work safety operational programme, the occupational health and safety system, the reporting of near-miss incidents, and work safety in production areas.

In Russia's new roastery under construction in Tver, particular attention is being paid to efficiency, expansion possibilities,

work safety and job satisfaction. In relation to the start-up of the roastery, comprehensive training was organised for personnel, in which work safety formed an essential part.

Seven work accidents occurred in 2010, which resulted in a sickness absence of 175 workdays. Work accidents comprised, among other things, slipping and tripping. The level of absence due to staff illness was 2.3 percent in 2010.

### Supported employment in Vuosaari

In September 2010, Paulig began co-operation with an employment service, supported by Helsinki City's social department, by employing two production workers of which one continued permanently after the trial period. Cooperation with the supported employment service will continue into 2011.

*“Paulig’s aim is to be the best workplace for professionals in the food industry. Paulig measures its success every other year with the help of the TellUs survey.”*



Service Technician Kim Kuusi services a Vendor coffee machine. In 2010, Paulig acquired a majority share in the coffee-machine service provider Vendor Group. The field has good growth prospects, and Vendor will strengthen the development of Paulig's place-of-business coffee services. Through Vendor, the customer can obtain all services related to serving coffee; including machines, maintenance and coffee products.

## A year of profitable growth

A favourable financial result creates opportunities to develop operations in a long-lasting way. Profitable growth benefits the personnel, the society and other Paulig interest groups in many ways.

Financial responsibility indicators (EUR 1 000) \*

Financial year	1.1.–31.12.2006	1.1.– 31.12.2007	1.1.– 31.12.2008	1.1.– 31.12.2009**	1.1.– 31.12.2010
Net sales	200 403	210 110	232 139	232 504	261 540
Wages and salaries, indirect costs and perquisites	11 831	12 339	12 983	16 505	13 304
Purchasing costs of ingredients and materials	117 539	119 650	141 063	132 520	187 304
Interest and other financial income	278	511	400	809	110
Interest and other financial expenditure	753	1 704	1 814	2 005	2 794
Investments	2 971	8 369	20 138	24 513	6 407

\* The operational result is reported as a part of the financial statements of the parent company Paulig Ltd.

\*\* The financial year 2008 includes a two-month pro forma period for Paulig Pro Finland. Paulig Pro Finland's business interests were transferred to Gustav Paulig on 31 October 2008.

Paulig succeeded well in 2010, despite challenges, and the financial result was as forecast. The turnover was 282 million euros, a growth of 14 percent over the previous year. The first full year of operations for Paulig's new Vuosaari roastery went extremely well, despite having to finalise processes, and the factory produced a record-breaking 46 000 tonnes of coffee.

The year 2010 marked a pronounced increase in the price of green coffee, which was the main reason behind Paulig's increased turnover. The increased prices also affected consumer prices.

### A new organisation to support growth

Paulig's business operations were reorganised during 2010. They were divided into three areas: East, West and Services. The new organisation enables improved focus on the challenges of each area.

Paulig's market position remained strong in all business areas. In Finland, Paulig is still the clear market leader. Though the year was challenging, especially on the part of retail trade, sales results were good. Paulig brought new products to the market and the old, familiar brands succeeded as expected.

In Russia, the market shares and the consumption of roasted coffee developed according to plan. In the Baltic countries, Paulig's strong market position was maintained despite the challenging economic situation. Paulig's position in Ukraine and Belarus strengthened during 2010.

In the Services business area, Paulig attained several significant contracts which will bring about noticeably more volume in 2011.

### Investments for the future

Paulig's operations have significant effects on financial well-being and improv-

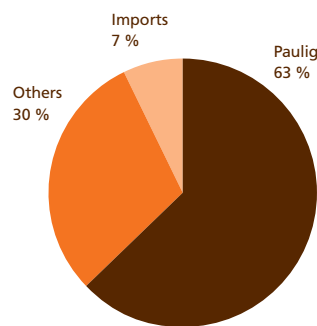
ing employment, in Finland and abroad. Paulig's biggest expense item consists of the procurement of green coffee. The majority of purchases are made in the countries of production, where Paulig has a prominent role as an indirect employer.

In recent years, Paulig has made big investments in new production facilities. In 2010, investments totalled 9.4 million euros, the bulk of which was directed at Russia's new Tver roastery.

At the beginning of 2010, the acquisition of a majority share in the Vendor Group was finalised. As part of the corporate reorganisation, Paulig's place-of-business coffee services and coffee-machine operations were transferred to the Vendor Group. Throughout last year, focus was placed on building the new organisation in all countries of operation.

Paulig participates in developing the society by, for example, paying taxes and other public costs. There were 210 people in the employment of Paulig in Finland at the end of 2010 and their salaries, including expenses, totalled almost 13 304 000 euros.

Finnish coffee production and imports of coffee 2010



Source: The Finnish Food and Drinks Industries' Federation ETL, Paulig and Finnish Customs



Brand Manager Tommi Harju (right), from Coffee House, and Key Account Manager Pasi Raito, from Paulig, enjoy responsibly produced coffee in Coffee House's new café in Kannelmäki.

### Coffee House offers responsible coffee

The Coffee House chain, known for its youthful cafés and good coffee, renewed its coffee selection in the beginning of 2011 by choosing Paulig to be its coffee supplier. In addition to excellent quality, responsibility is an important aspect in coffee, as coffee enthusiasts are interested more than ever in the origin and responsible production of coffee.

"We want to operate responsibly by taking into consideration the people involved in coffee production, as well as the environment. That is why the coffees we offer have UTZ certification. Our coffees come from farms through which we can care for the preservation of nature's diversity and the well-being of the farmers and their families," says **Tommi Harju**, Brand Manager for Coffee House.

Coffee House's selection includes Brazil, one of Paulig's responsibility-certified coffees, and Coffee House's own blend, Espresso Momento, created especially for its customers.

"High quality and skilfully prepared coffee is our pride and our calling card. In addition to high quality coffee, our customers now have the possibility to obtain detailed information on the origin of their coffee by entering the packaging date into an online tracker. The coffee's packaging date can be requested from the café staff," adds Tommi Harju.

# Strong brands behind success

In Finland, Paulig's coffee brands belong to those of the most valued and most popular. Paulig's long-lasting work in nurturing quality and in understanding the expectations and requirements of customers and consumers has produced results. The focus point now is growth in Russia and building trust in new markets. New products and services maintain interest and demand in coffee.

Paulig's logo is like a stamp of guarantee: it is a promise that the coffee product is always that which the consumer expects it to be. Juhla Mokka and Presidentti are two of Finland's most valued and recognised coffee brands, trusted by consumers and customers already for decades (Taloustutkimus 2010; Reader's Digest: Finland's most Trusted Brand 2010).

Presidentti has offered pleasure to Finns since 1929, and is still one of Finland's most respected coffee brands. Building strong brands requires recognising consumer habits and knowing one's customers, as well as anticipating change. Four coffees belong to the Presidentti product family, each with its own recipe and roast level. The newest member of the family is the Presidentti Gold Label Black, which has been developed especially for coffee drinkers who enjoy dark roasts.

The renown of Paulig's brands has developed in other markets too. In Estonia, about 70 percent of consumers can instantly recognise Paulig's brands, and in Latvia and Lithuania almost one-half of consumers. In the region of St. Petersburg, around every fifth consumer recognises Paulig's brands, and in the region of Moscow, every tenth or so.

The building and upkeep of strong brands requires a deep understanding of consumer habits and the needs of customers. Every year, Paulig conducts several consumer surveys which

help to provide information on marketing and product development requirements. The surveys help Paulig to keep abreast of changes in consumer behaviour and developing trends in coffee, among other things, as well as to investigate consumer interest in new products.

## Easiness, speediness and ethicalness are of interest

The current trends in food consumerism are easiness and speediness, particularly evident in the growth in coffee consumption outside the home. Paulig has addressed this by strengthening its



out-of-home business operations through company buyouts, and developing the product and service concepts of its coffee services, e.g. take-away coffees. The bottled and ready-to-drink Frezza and Tazza drinks are also responses to these trends.

Other trends affecting the purchasing decisions of consumers are ethicalness and environmental friendliness. Consumers are more interested than ever in the origins of products and how they are produced. Paulig prepares its products in an energy-efficient roastery, has brought many responsibility-certified products to the market, and tests the use of biodegradable packaging materials.

Healthiness is also an ever-strengthening trend. Coffee is one of the world's most researched foodstuffs, and Paulig actively follows the constant supply of new scientific information on the ingredients of coffee and how they affect health. Coffee is the most significant source of antioxidants in the Finnish diet.

### Differences in coffee cultures

Coffee drinking habits are strong cultural bonds, and Paulig develops its range of products with this in mind. In Finland, mainly lightly roasted filter coffees are enjoyed, though the nation's taste for coffee is gradually diversifying.

Consumers in Russia's biggest cities prefer to sample different products and brands. Instant coffee is consumed the

most, but consumption in roasted coffee is growing quickly, prepared either straight into the cup or in the Turkish style.

In Estonia, as in Finland, filter coffee is the most popular, but of a slightly darker roast. In Latvia, instant coffee is used a lot. Especially in Lithuania and Ukraine, coffee is prepared straight into the cup by pouring hot water over ground coffee.

### Active development work

In the export markets of Russia and the Baltic countries, the most popular coffees are Paulig President and, especially developed for these markets, Paulig Classic and Paulig espresso products. A new coffee in a more economical price range has been developed for the Russian market, called Paulig Mokka, which will become available during 2011. In these markets, Paulig competes as a strong challenger to the multinational coffee companies and local brands.

In Finland, Presidentti has grown into a family of products. Last year saw the launch of the Presidentti Dark Roast brand (for pot coffee) and the development of the super-premium product, Presidentti Gold Label Black, which arrived on the market in the spring of 2011. Also belonging to the family, are Presidentti Dark Roast (for filter coffee) and Presidentti Gold Label. Furthermore, Paulig's series of Country of Origin Coffees gained a new addition: Paulig Papua New Guinea.



Sales Manager Robin Hallberg takes Tazza to the world.

### Tazza aiming for the world

In Finnish ski resorts, more Tazza is sold than beer. Lapland has been conquered, there is a strong foothold in Sweden, and next on the list are the ski resorts of Central Europe. This success has not happened by chance.

At the end of the 1980s, Paulig's product development created the chocolate drink Tazza, with which Finns became infatuated. Tazza has developed into Finland's best-known and best-selling hot chocolate drink for vending machines. It is especially popular in ski resorts and, in addition to Finland, is also available in many Swedish ski resorts.

The good success in Sweden gave extra belief that the considerably larger markets of Central Europe can be conquered. "Our sales trials in Switzerland and Austria have worked out well and there are high expectations for the 2011–2012 winter season. Large international operators have commended our concept, and demand is coming from many directions," says **Robin Hallberg**, Sales Manager, Export.

In addition to ski resorts, Tazza has been warmly received in such places as the Netherlands, where it is offered in cafes and winter markets, and Kuwait, where it is available in shopping-centre cinemas. There is a large market in Arabic countries for non-alcoholic drinks, and chocolate is very much favoured there.



## Listening to consumers and customers

Paulig's consumer services address thousands of customer contacts every year. Active dialogue with consumers and customers plays a central role in the quality management of coffee products and their development. Not only does it help to develop the coffee field, but also to serve customers in the best possible way. The revised consumer services now also operate online.

Paulig renewed its consumer services during 2010, and at the beginning of 2011 activated a new customer contact channel on its website. In addition to helping consumers, the new online service aids professionals working in the coffee field. It has simplified making contact and improved Paulig's capacity to monitor and process feedback.

The new web service will be tested throughout 2011 and developed according to the experiences gained. An equivalent service is intended to be introduced in Russia and the Baltic countries.

### Feedback: a part of quality management

In the year 2010, Paulig's consumer services addressed almost 4 000 customer contacts, of which over 40 percent were received online, about one-quarter by letter and one-third by telephone. The number of customer contacts received online has been growing already for years.

Over 60 percent of the contacts were requests for advice and other queries, and about 40 percent were product complaints. The most frequent product complaints concerned faulty packaging or suspected off-flavours. The information gathered from these is valuable for quality management and production. All samples taken from faulty products are examined carefully in Paulig's laboratory and any possible cause is always thoroughly investigated. In 2010, Paulig received slightly

less product complaints than in 2009: the number was 17 per million production-kilos (18 in 2009). The number of product complaints in relation to production volume has remained small over the years.

### Coffee advice and training

According to information gathered by consumer services, consumers are interested more than ever in the origins and traceability of coffee, as well as responsibility-certified coffees and the recycling of coffee packaging. Also, information and instructions are requested for the preparation and serving of specialty coffees, as well as suitable accompaniments to different coffee drinks. Product development ideas and wishes for new products are often received from active coffee drinkers, and these are forwarded by consumer services to Paulig's product development for evaluation.

Paulig offers coffee training to thousands of professionals every year at the Paulig Institute, which has been operating already for 40 years and is known for its promotion of the coffee culture. In 2010, the Institute organised training sessions on issues including methods of coffee preparation and developing the management of cafés, for around 2 500 customers, chain customers, and core interest groups. Training is also on offer to all those interested in coffee who wish to supplement their knowledge in matters related to coffee preparation. Additional information: [www.pauliginstituutti.fi](http://www.pauliginstituutti.fi).



Outi Ruuskanen, Ulla Ristkari, Harri Hytönen, Kaisa Junikka, Marika Holstein and Ulla-Maija Pesso (from left to right) participated in organising a charity event for the Mannerheim League for Child Welfare's telephone counselling service for children and young people.

### Paulig's charity campaign

In December 2010, a group of Paulig workers collected funds for the Mannerheim League for Child Welfare's telephone counselling service for children and young people. In an event organised at the Kamppi shopping centre, passers-by were able to buy for one euro a cup of hot Mundo coffee or a Tazza chocolate drink, and at the same time feel the Christmas spirit by contributing to the collection.

The idea for the campaign formed among the personnel. "There was a desire to do something tangible before Christmas, in addition to sending Christmas cards; that's when the idea came," relates **Harri Hytönen**, spokesperson for the project.

Thirty members of Paulig's personnel from all sides of the company engaged in the work. For eight hours on a December Saturday they served coffee and collected funds at Paulig's coffee stand. As well as contributing to the work effort, Paulig provided the coffee and cups for the charity event.

The day's proceeds went to the Mannerheim League for Child Welfare's telephone counselling service, which is open every day. Paulig's staff summarised their feelings on conducting their charity work: "This has been a really pleasant joint effort towards a good cause."

### Paula turned 60

The year 2010 was a year to celebrate for Paula: the ambassador for good coffee turned 60. Paulig's Paula is one of Finland's oldest PR figures and one of the most recognised characters in brand advertising. The seventeenth Paula moves actively among consumers, conducts blogs and is also present on Facebook.

For four days every week, Paula travels around Finland meeting interest groups in cafés, restaurants, shops, conferences, colleges, training functions and many kinds of events. Paula not only provides

information on coffee for consumers, but also brings back to Paulig greetings from consumers.

### Paulig supports communities in many ways

Paulig supports good causes in Finland and elsewhere in the world. In 2010, the company subcontracted via Employment Centre Visu, members of the Vantaa Association of People with Physical Disabilities for working on various marketing campaigns.

[www.vantaaninvalidit.fi](http://www.vantaaninvalidit.fi)

Cooperation with the volunteer-based Walkers café chain for young people has continued since 1999. During 2010, Paulig donated 580 kilos of coffee to Walkers' cafés and provided training for its workers.

[www.asemanlapset.fi](http://www.asemanlapset.fi)

Since 2001, Paulig has supported Turku Cathedral Congregation's Cafeteria Domcafé through coffee donations. Since summer 2010, Domcafé has supported the Children's Bank, whose funds are used in educational projects for children and young people in different countries.

[www.turunsrk.fi](http://www.turunsrk.fi)

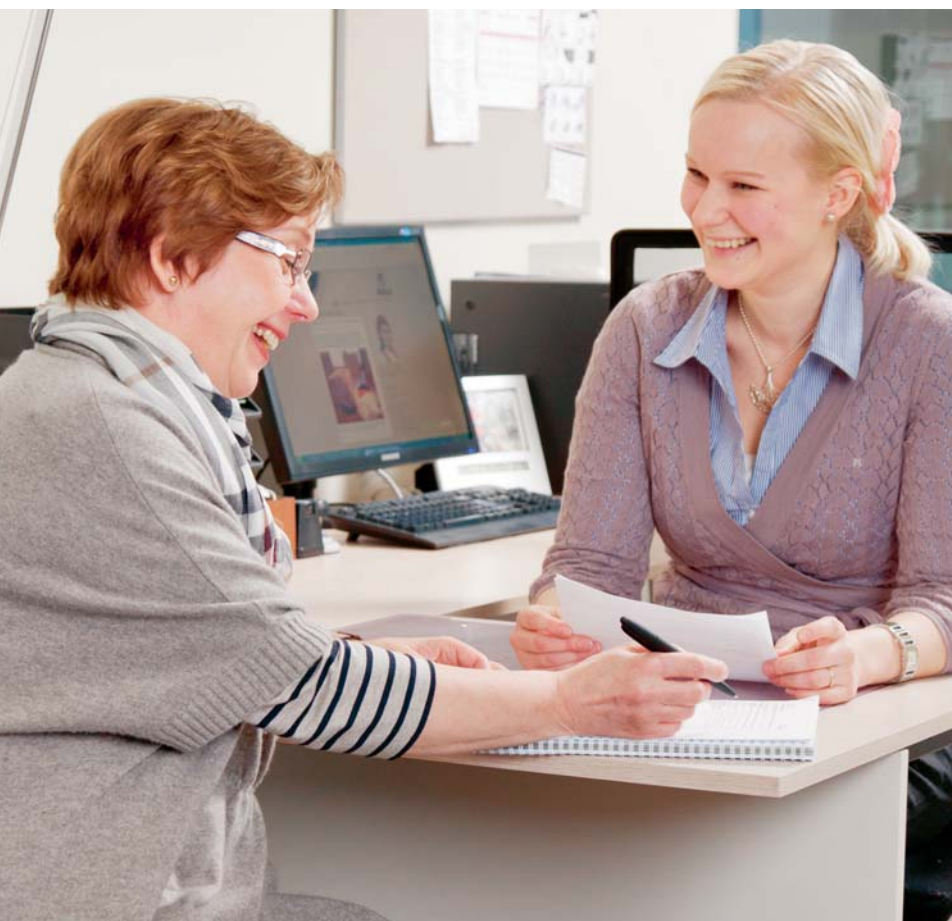
The company has for years donated coffee to the Veikko Hursti foundation and the Christmas parties it organises for homeless people.

At Christmas 2010, Paulig donated 15 000 euros to support the work of UNICEF.

[www.unicef.fi](http://www.unicef.fi)

Paulig is a partner of the non-profit organisation International Coffee Partners GmbH (ICP), together with four other European coffee companies. ICP implements projects that improve the livelihood and living conditions of smallholder coffee farmers and their families worldwide. Paulig's share of the costs in 2010 was approximately 170 000 euros.

[www.coffee-partners.org](http://www.coffee-partners.org)



Kaisa Junikka (left) and Aino Länninki respond to thousands of customer contacts every year in Paulig's consumer services.



441 017  
Printed matter

Text: Manifesto Consulting  
Layout: Formbara Design  
Printing: Lönnberg Painot Oy  
Helsinki, 2011

Gustav Paulig Ltd  
Satamakaari 20  
FI-00980 Helsinki, Finland  
Telephone +358 9 31981  
[www.paulig.com](http://www.paulig.com)



*Paulig*

