

A white ceramic mug filled with coffee sits on a wooden crate. The crate has a dark, octagonal logo with the word "Paulig" in a cursive font. The background is a blurred view of a ship's deck with various equipment and structures.

Paulig

Corporate responsibility
Web report 2012

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Introduction

In 2012, we integrated responsible operating methods even more firmly as part of our everyday actions. The Paulig Group's common values were deployed successfully throughout the Coffee Division. We continued the improvement of managers' and supervisors' leadership skills and we carried out a broad-based TellUs survey to chart the implementation of personnel responsibility. We made progress in the traceability of our green coffee and we continued projects improving the professional skills and living conditions of smallholders in the coffee countries of origin. We successfully developed the environmental friendliness of packaging materials and we expanded our product range on the basis of consumer trends.

Leader

Our action on responsibility attracts trust

Our stakeholders' demands and interest in corporate responsibility are growing in strength. In practice, responsibility for us means everyday deeds and choices, long-term work and commitment.

The work done so far is reflected back in the form of the stakeholders' trust. One indication of this is the broad-based annual survey of corporate reputations and responsibility in Finland, in which we further strengthened our position among the most responsible companies. Responsibility must also be managed and promoted systematically. We are now devoting effort to this even more dynamically under the leadership of a specially appointed Corporate Responsibility Manager.

In the coffee business, responsibility extends from one end of the world to the other: from the countries of origin via the procurement chain and production plants onward to the coffee-drinking consumers in the different markets. In the countries of origin and in the procurement chain we can best promote responsibility by collaborating with other players. Our coffee suppliers are in a key position. They have all pledged with their signature to comply with our ethical purchasing guidelines based on international agreements. Through the International Coffee Partners community we engage in practical cooperation with smallholders to improve their activities and boost their living conditions. We want to promote the livelihoods of coffee growers and at



the same time to enhance the wellbeing of the entire family and community by increasing the productivity of coffee cultivation. In the beginning of 2013, we also joined the 4C organisation promoting sustainable development, which already involves more than 250 operators in the coffee sector from various countries.

Success in business creates a basis for responsibility. We seek growth particularly in Russia, the CIS and the Baltic countries. In the Moscow region and in the Baltics we are the market leader for roasted coffee. The roastery we have opened in Tver will further reinforce our bridgehead in Russia. The Swedish and Norwegian coffee service markets also offer good opportunities. It is our goal to boost the proportion of sales due to markets outside Finland from the current figure of 30 per cent to 40 per cent while continuing to take good care of Finnish consumers' coffee enjoyment.

Whatever the market, our success will depend on consumers' interest in our products. We are active in launching new products and services in the marketplace and we provide the consumer with options.

Internationalisation also brings new dimensions to responsibility, as the basic premises for it may be very distinct in different markets. In the Baltic countries and Russia, we charted consumers' understanding of responsibility last year in order to understand their expectations better. Before the end of 2013, we will launch common ethical principles for the entire corporate group together with a related training program.

Skilled and committed personnel are crucial to a company's success. The TellUs questionnaire which mapped out the subdivisions of personnel responsibility last autumn indicated that we have made progress particularly in improving the work of supervisors. Ongoing training and the enhancement of management are of key importance in this. The values launched last year were also known well. We must still improve our operating models, streamline decision-making and ensure that our expertise is efficiently used.

Our responsibility as a company extends from bean to cup. We want Paulig to leave a good taste, not only in the form of coffee but also as a workplace, a partner and a member of the surrounding society.

You are welcome to follow the development of responsibility in the coffee chain

Elisa Markula
Managing Director
Paulig Coffee Division

Examples of our responsibility work in 2012

- The Paulig roasteries started up in Vuosaari in 2009 and Tver in 2011 were built with modern technology and using an ecological philosophy. The Vuosaari roastery's annual consumption of natural gas is more than 20% lower than that of its predecessor.
- The development of packaging materials continued. By making packaging laminate thinner, we reduced consumers' mixed waste load by 30,000 kilos.
- The Paulig Group's common values were deployed successfully throughout the Coffee Division.
- We continued training in leadership skills for management and supervisors, and we rolled out a mentoring program. A broad-based TellUs survey charting the implementation of personnel responsibility was carried out in the autumn.
- The Paulig Code of Conduct for purchasing is approved by all our partners in the countries of origin.
- We made progress in improving the traceability of our green coffee. Of the coffee we purchase, 88% can be traced to the cooperatives and processing plants and 47% can be traced to the plantations or co-ops representing plantations.(2011 figures)
- We continued projects to improve the vocational skills and living conditions of smallholders in the coffee countries through the International Coffee Partners community and the Coffee and Climate project. At the annual coffee seminar for the media in Finland, we spotlighted the impact of climate change on coffee cultivation and support by the coffee sector for coffee growers in this change.

Procurement

Demand for coffee outstripping production, the predominance of small coffee plantations, climate change and growing consumer interest in the conditions in which coffee is produced are challenges to players in the coffee chain. In 2012, Paulig took part in a number of projects to improve coffee production in the countries of origin. Developments in coffee traceability are monitored by Paulig with country-specific spot checks which cover the bulk of green coffee purchases.

Kerstin Linne knows the challenges faced by coffee-growers

German coffee-sector expert Kerstin Linne knows the challenges climate change presents to coffee-growers from start to finish. Linne shuttles between coffee countries of origin like Brazil, Guatemala, Indonesia or Kenya, training coffee-growers to adapt to accelerating climate change. In her work she encounters both prejudice and enthusiasm.

Kerstin Linne says that coffee-growers are aware of the effects that climate change is already having on their plantations. "They are aware of what is happening on their fields: how much it's rained, whether there's enough water, whether it's usable and, for example, how the coffee bushes' flowering has gone. On the other hand, the growers lack the latest scientific research data and forecasts of climate change. It's my job to put together daily observations with existing facts and to help them to understand how and why what they do has to change," Kerstin says. "It's great to see, time after time, how motivated coffee-growers are to act after they get proper information. For them, giving up in the face of challenges is not an alternative," she comments.

Almost half the year on the road for coffee

Kerstin Linne took her MBA in economics of developing countries in Bremen and Mexico. She has written numerous articles and publications about sustainable development. Today she travels around the world on behalf of her own company to work for the cause of climate change for nearly half the year. Kerstin gives talks, consults and meets people in the coffee business and growers, trying to find common ground between them. "Experiences of the growers' everyday lives should be used on international projects more. One of my most important missions is to act as a voice for growers with the producers and industry. The growers know best what they need and the kind of problems they have to cope with," points out Linne, who also visited Finland in October to attend the Paulig Coffee Seminar.

Kerstin reckons there are plenty of challenges, and not all needs can be met. "It's hard to get financial backers along onto projects because scientific information about the impact of climate change on coffee cultivation is on the forecast



In October 2010 Kerstin visited Kenya, where the first training sessions for coffee-growers had been held earlier. The courses had led to a lot of positive developments in cultivation practices.

level. The uncertainty doesn't attract them." One project which is going ahead well and where Kerstin is also involved is a climate project started in 2011 by Paulig and five other European companies in the coffee sector together with the German development cooperation organisation GIZ, entitled Coffee & Climate.

Kerstin hasn't picked an easy job, as nothing is certain with climate change. "When predictability goes, the growers are in trouble as their capacity for adapting to it is slight, however you measure it. It's very hard for growers to get training and financial backing for their work," Kerstin reports.



Kerstin addressed Brazilian coffee-growers on the effects of climate change in autumn 2011.

Cultural differences and friendship

Working in the coffee countries of origin like Kenya is, according to Kerstin, a challenge because of cultural differences and the language barrier. Although the official national languages are English and Swahili, a total of 42 local languages are spoken there.

"It's understandable that growers want to use their own mother tongue for communication, so you need an interpreter to help at meetings. Once you've made contact through discussion, suspicions about this young foreign woman's ability to be helpful usually fade away. Many people feel they genuinely benefit from information and guidance and they even want to make friends with me. For instance, it isn't unknown for me to be invited to the family home for a meal. It feels really great to get so much trust and this is one of the job's more rewarding sides," Kerstin tells us.

Almost two-thirds of the world's coffee comes from small plantations of less than two hectares in area. Since smallholders' success in their work cannot be taken for granted in regions afflicted by climate change, Kerstin hopes that consumers will also not take their morning cup of coffee for granted. "For most producers, coffee is their only source of income and they do an enormous amount of work every day so that we get coffee to enjoy," Kerstin points out.

www.greenlinne.com



Making a difference to climate change starts with practical action. A more energy-efficient stove installed in a Mexican coffee-grower's kitchen needs less firewood, thus reducing the felling of forest trees in the cultivation area.

Coffee and Climate helps growers to adapt to climate change

Global warming may have long-term impacts on the future of the coffee sector, as with other industries. Rising temperatures, drought and torrential rainfall in some regions have already locally impacted cultivation and reduced harvests.

Coffee bushes become more susceptible to diseases in a damper and warmer climate than they are used to. A considerable proportion of coffee is produced by smallholders with little opportunity to modernise their operations or move their plantations to more favourable areas. Climate change is already affecting the price and availability of green coffee to some extent.

To help small coffee growers to adjust, six European coffee enterprises and the German development cooperation organisation GIZ started a joint climate project in the beginning of 2011 entitled Coffee & Climate. From Finland, Paulig is a participant.

In the Coffee & Climate project, practical tools are developed for growers by combining research data on climate change with proven good cultivation practices. Economic support systems are also developed. The pilot countries in the climate project are Guatemala, Brazil, Tanzania and Vietnam, where

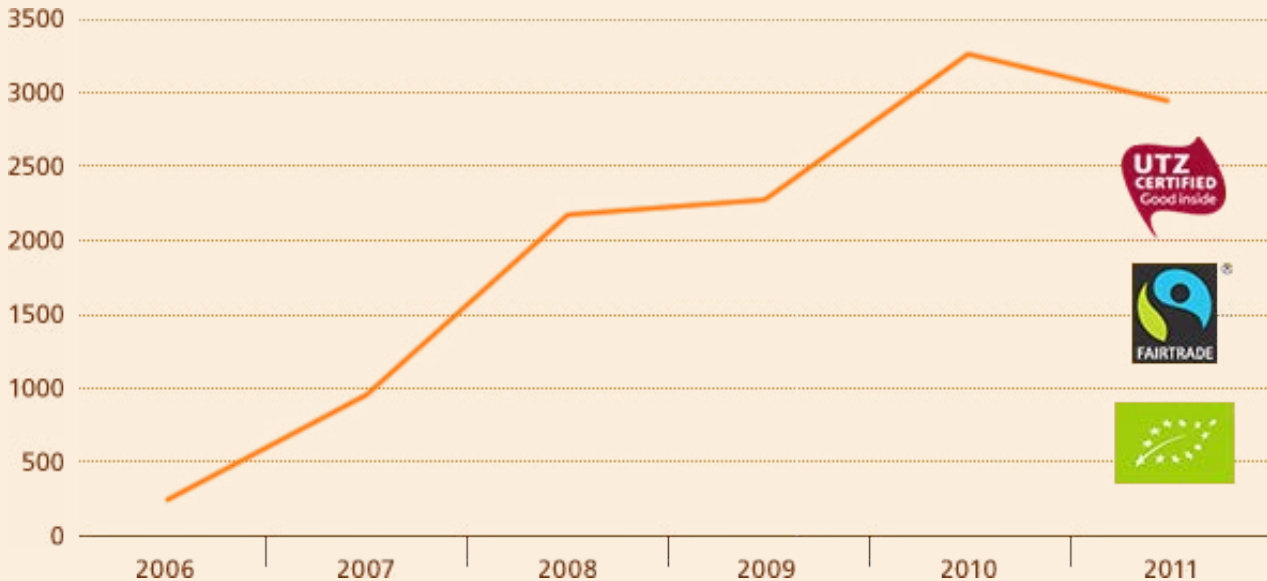


the work has been started by charting the initial situation. In Brazil, progress was made to the field work stage at the end of 2011 and in Tanzania, practical work got under way in February 2012. The experience gained from them will be used when the project is extended to other coffee-producing countries. Check out the project www.coffeeandclimate.org.

Figures and results of our work

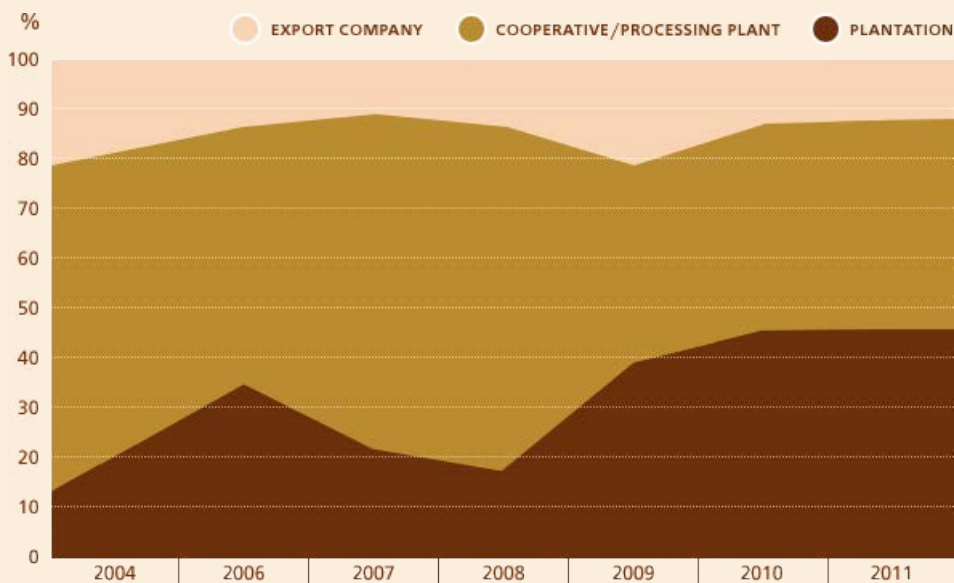
Paulig's purchases of certified coffee grades (tonnes)

Responsibility-labelled green coffee accounts for some 10% of global output and demand is growing. The manufacturing of products with responsibility-labelled ingredients is sometimes challenging because of the quality and scarcity of the supply of raw materials. Of the coffee purchased by Paulig in 2012, roughly 6.5% was certified for responsibility.



Trend in traceability

Paulig systematically develops the traceability of all the coffee it purchases in cooperation with its trading partners. . Of the coffee purchased by Paulig in 2011, 100% could be traced back to the exporters in the countries of origin, 88% to the co-ops and processing plants, and 46% to the coffee plantations or plantations cooperatives.



No traceability survey was done in 2005 Traceability research is conducted by sampling the most significant purchases.

In the harvest season of 2012, the world output of coffee was

8 646 000

tonnes or 144.1 million bags (60 kg) of coffee.



For comparison: Laid end to end, the coffee bags would stretch almost twice around the world.

Personnel

Paulig's Coffee Division provides jobs for nearly 500 people in seven different countries. In spring 2012, Paulig launched new values simultaneously throughout the Group. The attainment of personnel responsibility is measured in all Group units by means of the broad-based, biennial TellUs survey. The latest poll was carried out in autumn 2012 and its results showed particular improvement in supervisory work with continuing training and leadership development.

Promises make the values visible

Marketing Manager Risto Kalsta considers the shared values to be an immense resource and a springboard for doing everything.

"It's important for the values to be clear and practical and that they embody doing things. I am very pleased with the way the values have rolled out and entered everyday life: they are plain to see, people mention them, everyone remembers them and their importance deepens all the time."

The five-strong team that Risto heads made promises together for the new values last spring. "We opened the values as hands-on deeds, meaning what each value signifies in our team's way of working. In the course of the year, we've returned to the promises and we've looked at how they've been implemented in practice," Risto reports.



So what are the value propositions of Risto's team?

Stay curious

We decided to break the mould. This means that we expose our thoughts and ideas boldly, both within the team and with others, complete outsiders. We actively seek new perspectives and we're open to criticism. We ask for opinions and we spar over ideas at an early stage. We make things as concrete as possible, we order experimental layouts, we visualise ideas, model packages and advertisements, we make collages and draw ideas on paper – and then, of course, we talk about them. Everyone sees ideas in their own way, and that's why it's important to illustrate them. This way we can bring out their best sides and combine them.

Strive for excellence

We invite feedback. We want there to be a low threshold to giving and getting feedback in our team. Feedback is part of the working day and daily discussion, the aim of which is to

make things better. As a supervisor, I feel that getting feedback is the most important way to upgrade my own actions. Since the beginning of 2013 I've kept a feedback journal in which I record all the feedback I've received and given. It also makes it easy to see where progress has been made.

Grow together

We admit that we need help. You definitely don't need to get through on your own. When you can't make headway, it's important to say it out loud to a friend. The other person doesn't need to have a ready-made solution because often just thinking things over aloud and a few good questions will help to solve a problem. Also, the final result is usually better when two people think through an issue over again. All that this takes is for us to have a spare moment when someone asks for it.

Mentoring boosts all stages of a career

The mentoring program got started in spring 2012. Five pairs took part in the pilot. After good experiences, mentoring became a permanent addition to Paulig's training and wellbeing package. Veterans of the pilot Mia Katko and Riitta Helaniemi see many advantages in mentoring.

Mia, who has worked as Assistant Controller for the Coffee Division since autumn 2010, says that the period helped her particularly to map out her personal career path. "The mentoring shook me into thinking in a new way and to see my career over a longer time span. At the same time, my understanding deepened of the company and of the opportunities afforded by the corporate group. Doing a SWOT analysis of myself was also a very useful experience."

Mia's mentor Riitta has worked for Paulig for around twenty years, for

a long time as Group Treasurer and latterly as the Group Director of Risk Management. Mentoring was familiar to Riitta, for example from her time at the Aalto University, where she has supported students in plotting their own careers.

"It's interesting to meet new people and their work; it opens up your own view of things, and as a plus you get a pleasant sense of helping others. Also, I think it's important to pass on the knowledge and expertise you've accumulated," Riitta notes.



Riitta and Mia believe mentoring is rewarding for both parties in all stages of working life.

Good for all

"With mentoring you can transfer tacit information, for example, between co-workers, and you can help younger people in career planning," says Paulig Group HRD Manager Marika Holstein. "Here, the mentoring period involves a whole raft of gatherings and thematic discussions with your partner. The kick-off covers things like what mentoring is and what it isn't."

"This is really important so that everyone comes to the program with the right expectations. Mentoring is confidential and equal. A mentor is not a psychologist or a representative of the employer. He or she should not direct a partner but help them to grasp their personal strengths by listening, asking questions and bringing out their own experiences and observations. Although the focus is on work issues, the best combination comes when you really get to know each other and can chat to a moderate extent about private things as well – these also affect your work," Riitta points out.

Both Mia and Riitta warmly recommend mentoring to all, irrespective of job description or length of service. The main thing is to be committed to working together. "Mentoring helps you to see your own situation here and now as well as in several years from today. I was always full of enthusiasm after the meetings, the discussion really gave me a lot of new energy," Mia says.

"Often a mentor is found for a young person within the same company. For people who have been on the job for a longer time, talking with someone from outside the company can provide refreshing new perspectives. Mentoring partners don't necessarily need to have known each other before; the situation is best when they begin to get to know each other," Riitta adds, commenting that collaboration sometimes continues after the actual mentoring period.



The mentoring program and ready themes structure the discussion and make the work target-oriented.

"Particular in times of choosing in one's working life, it's useful to be able to talk confidentially with someone who knows the history of your career path."

Figures and the results of our work

Trend in occupational health indicators at Vuosaari roastery*

In 2012, the accident frequency rate was 3, compared with the 2010 figure of about 50 for the food industry as a whole and about 30 for all sectors. (Source: www.ttk.fi/toimialat/elintarviketeollisuus/tyotapaturmatilastoja)

	2007	2008	2009	2010	2011	2012
Number of accidents*	5	3	3	5	7	1
Accident frequency**	19	8	11	14	19	3
Sickness absenteeism percentage	2,1	2,2	2,3	2,3	2,6	2,6

*Number of accidents LTI 1.

Number of accidents leading to at least one day's absence excluding commuting accidents.

**Accident frequency LTIF.

Number of accidents leading to at least one day's absence per million working hours performed.

Business

A good financial result permits long-term business development and investments. A crucial factor if Paulig is to thrive is success in green coffee procurement, both financially and in terms of quality. After prices spiked in 2011, the price of coffee encountered heavy downward pressure in 2012. There have been rapid fluctuations in the price of coffee in a short period, which has brought uncertainty to the market. However, Paulig's financial result remained on a steady basis and its market position held strong.

2012: steady trend continued

The net sales of Paulig's Coffee Division fell by 10.5 per cent on the previous year to roughly 297.9 million euros. The change in net sales was mostly due to a fall in the price of green coffee. The target for earnings was overachieved, however.

Success in purchasing green coffee is crucial to Paulig's achievements, both financially and in terms of quality. Green coffee accounts for 90% of all procurement. The price of green coffee and the currency markets demand constant vigilance. Other expense items are more easily predictable. In 2012, the trend in the price of green coffee was downwards until the late summer, after which it went into a new upswing.

Paulig's market position remained strong in all the business areas. In Finland, Paulig is still the clear market leader and the recognised brands kept their huge popularity among Finns. In the course of last year, we improved profitability in Russia and the other CIS states as well as in the Baltic countries, where Paulig is also the market leader in terms of value. In Russia, the trend in market share progressed according to plan and we rose to second place for roasted coffee in two large cities. Most of the brands sold in Russia can now be made at the new roastery in Tver, the uptime rate of which has taken a positive track after initial challenges.

Investments during 2012 were mostly in replacements. The number of personnel increased in Russia, but in other countries there was no change in the workforce.



“Last year was filled with factors of uncertainty, from the price of coffee and USD/EUR exchange rate to the macroeconomic fundamentals. However, our company was able to respond to these challenges and operational result remained at a satisfactory level. Our operations are also on a steady basis with an eye to the future.”

– Anton Westermarck, CFO

The price of coffee is due to many factors

After peaking in 2011, there was strong downward pressure on the price of coffee in 2012. This was influenced by improved harvest prospects and expansion in coffee production. The two biggest producer countries, Brazil and Vietnam, yielded large harvests.

There have been rapid fluctuations in the coffee price in the short term, which has brought uncertainty to the market. Last year the price of coffee varied on the commodity exchange from 143 to 237 cents (USD) a pound (roughly 454 grams). The price sensitivity was boosted, in addition to variations in harvests, by global economic conditions, rising demand in developing and coffee-producing countries, and investors' interest in coffee. The downward price trend has been forecast to continue in the first half of 2013, although in the long term the price of coffee is expected to rally.

The price of coffee is set on the coffee exchanges of New York and London. For Paulig, the New York exchange is more important, as roughly 98 per cent of Paulig's purchases are arabica coffee, which is quoted in New York. A bonus is paid for good quality in addition to the market price. Paulig buys large quantities of top-grade coffees and the situation demands careful financial risk management.



Weather conditions and climate change have increased uncertainty over harvests. Unexpected changes in the weather have put most pressure on the top-quality raw materials that Paulig buys, for which the balance of demand and supply is already delicate. Read more about the impacts of climate change on coffee cultivation.

Price affects the attractiveness of cultivation

Worldwide, coffee consumption is rising by roughly three per cent a year. The increase in consumption is fastest in developing countries such as China and India. Growing demand is causing big changes in the coffee market. It can be expected that demand for green coffee will grow faster than production. For production to meet the rising consumption, the cultivation of coffee must be increased or a better yield will have to be obtained from existing plantations.

A downturn in the price of green coffee can have a dramatic impact on growers' everyday lives. The price paid for green coffee has a direct effect on growers' income and their ability to support their families. With living standards rising in the countries of origin, labour-intensive coffee cultivation will only be an attractive livelihood if the price for coffee is reasonable. The remuneration paid for the product affects the growers' willingness to cultivate coffee rather than, for example, other crops.

"If the price of green coffee on the exchange falls too low, coffee cultivation will no longer be an attractive livelihood in the countries of origin afflicted by climate change."

– *Katariina Aho, Purchasing Director*

Paulig once again one of the top companies for reputation and responsibility

The extensive Corporate Reputation and Responsibility survey carried out annually in Finland (TNS Gallup 2013) indicated that consumers consider Paulig to be one of the most responsible companies. In the survey, which was conducted at the end of 2012 for the third time, Paulig got the best ratings for the food industry and rose to second place for all sectors. Consumers had a total of 57 companies to assess, representing six different sectors of the economy: finance, retail, services, housing and energy, and food and other industry. The total number of ratings given was over 22,000.

The survey results show that there is still great variation in the levels of reputation, both between the sectors and between companies. Responsibility has a growing significance in forming a reputation. Also, interest in responsibility has increased, and the general public is aware of responsibility on a broader front than before.

Finland's top 10 companies for reputation:

- Kone
- Fazer and Konecranes
- Snellman
- Paulig
- Alko
- Veikkaus
- Fiskars
- Stockmann
- Orion and Valio

Figures and the results of our work

Trend in the green coffee price on the New York commodity exchange

After peaking in 2011, there was strong downward pressure on the price of coffee in 2012. The downward price trend has been forecast to continue in the first half of 2013, although in the long term the price of coffee is expected to rally. Paulig purchases roughly 0.7% of the world's green coffee output annually, in all roughly 60 million kilos.



*Arabica coffees are the most used in Finland. The price of Arabica is determined in the New York Stock Exchange. The price is quoted in dollar cents (USD) per pound (454 grams).

Tonnes of coffee completed at the
Vuosaari and Tver roasteries in 2012

44 104

LONDON

*If the coffee were
lined up in 500 g packages,
the line would be roughly
17 500 km long.*

MELBOURNE

Financial responsibility indicators in Finland (EUR 1,000)*

Financial year	2007	2008**	2009	2010	2011	2012
Net sales	210 110	232 139	232 504	261 540	332 918	297 876
Wages and salaries, indirect costs and prerequisites	12 339	12 983	16 505	13 304	13 288	12 884
Purchasing costs of ingredients and materials	119 650	141 063	132 520	187 304	247 388	189 823
Interest and other financial income	511	400	809	110	480	241
Interest and other financial expenditure	1 704	1 814	2 005	2 794	2 398	872
Investments	8 369	20 138	24 513	6 407	1 832	1 442

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

Environment

In the management of environmental matters, our cornerstone is the international ISO 14001 environmental standard. Our roasteries represent state-of-the-art technology and ecological thinking, an example of which is that no mixed waste at all is any longer generated by the production process in normal situations. Most waste is reused for energy, and the amount of this was reduced from the 2011 figure by no less than 251 tonnes through intensified sorting. As a result of using thinner packaging laminate on the biggest product, Juhla Mokka blend coffee, the consumption of material was reduced by 30,000 kilos on the previous year. Thanks to this, the carbon dioxide emissions of the packaging production process were reduced by roughly 110 tonnes.

All of Paulig's waste gets a new lease of life

In 2012, Paulig generated a total of 585 tonnes of waste. As recently as the beginning of the 21st century, most of the roastery's waste ended up in a landfill, but today no mixed waste at all emerges from the production process in normal conditions. Most of the waste is used for producing energy, and since 2011 the amount of this has been reduced by no less than 251 tonnes through streamlined sorting. Currently most of the waste is biomass, formed in different stages of manufacturing. A considerable part of the waste generated consists of various types of plastic and board, which are also sent for recycling.



In 2012, Paulig generated 308 tonnes of energy waste. This was comprised of, for example, wood pallets, laminate chaff, plastic packagings, and wet or dirty paper and board. The energy waste compressor shown in the picture compacts waste for onward transport by a waste disposal company to be recycled in energy production.



In 2012, the various stages of Paulig's production process produced 184 tonnes of organic waste. The dust from green coffee is collected for composting and the coffee chaff resulting from roasting is compressed into briquettes. A small quantity of organic waste also results from the coffee packaging process. When the coffee product for packaging is changed for another on a production line, the coffee remaining in the pipeline has to be removed to prevent mixing of coffee products with different roast levels, for example. Organic waste is returned to the soil.



The quantity of waste is declining rapidly as new uses are found for individual materials. Paulig takes in nearly 3,000 container loads of coffee each year. Each incoming container has the coffee beans packaged in thick plastic. These giant sacks are collected and fed into a plastic compressor in the roastery's yard. In 2012, 23.6 tonnes of this waste was generated and recycled into new plastic.



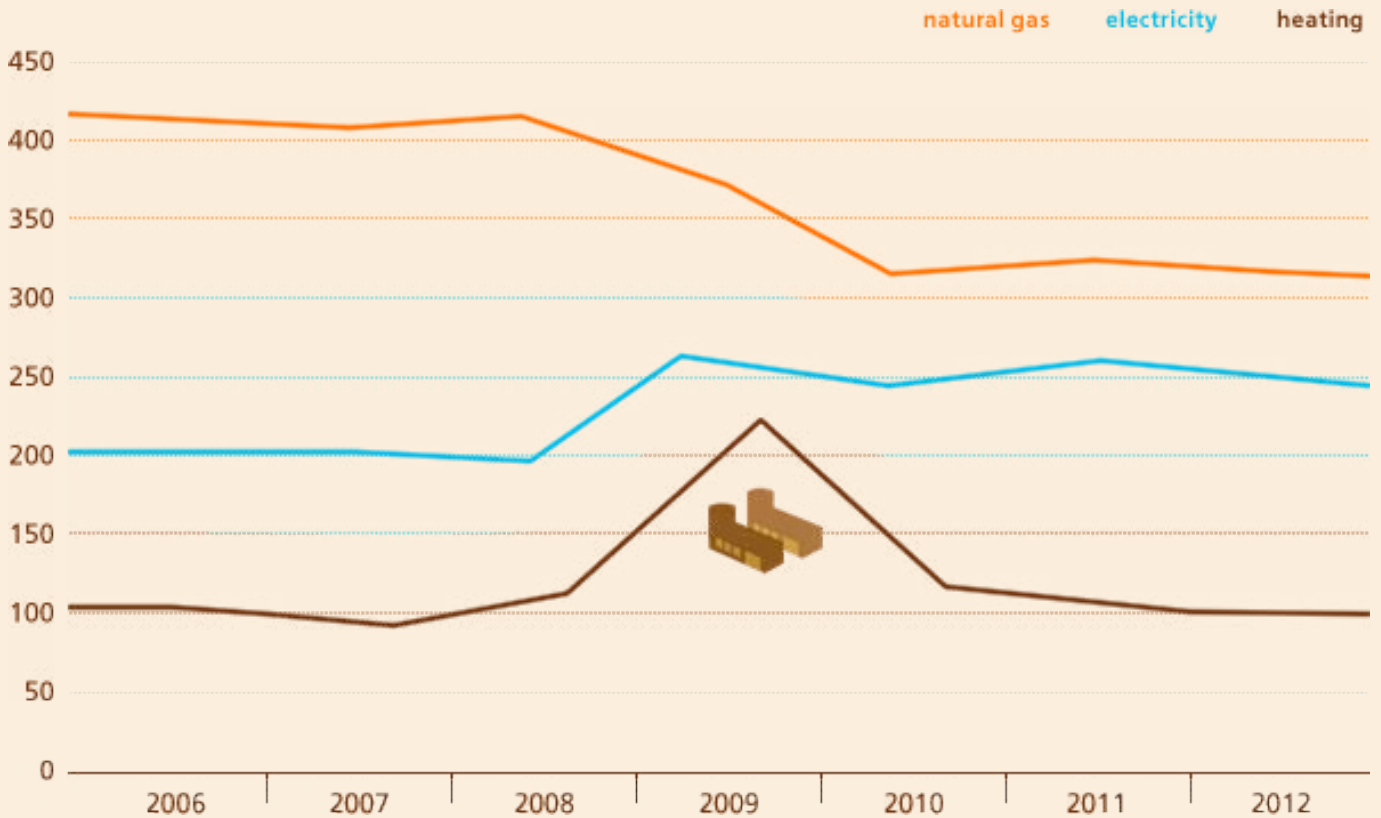
Paulig also recycles its office waste. The offices have separate collection bins for energy waste, wastepaper, office paper, papers for destruction, and board. Organic waste is taken by employees straight to the organic waste bin in the personnel restaurant on the ground floor. In office work, Green Office principles are applied, for example, by printing out hardcopy on both sides and by avoiding unnecessary printouts.



At the end of 2012, a baler came on stream for recycling the board used to line the interior of coffee containers. This is used to compress the board into the bales shown in the picture. This material is usable feedstock for the board industry.

Figures and the results of our work

Annual energy consumption per tonne of output (kWh/t)



“In 2010, we ran down our old roastery in Vuosaari and started up the new roastery, which naturally affected energy consumption and waste quantities. The distinctly lower figures for 2011 show that the new roastery’s processes have successfully found their stride.”

– Erkki Enström, Production Manager

In 2012, Paulig used

30 000 kg

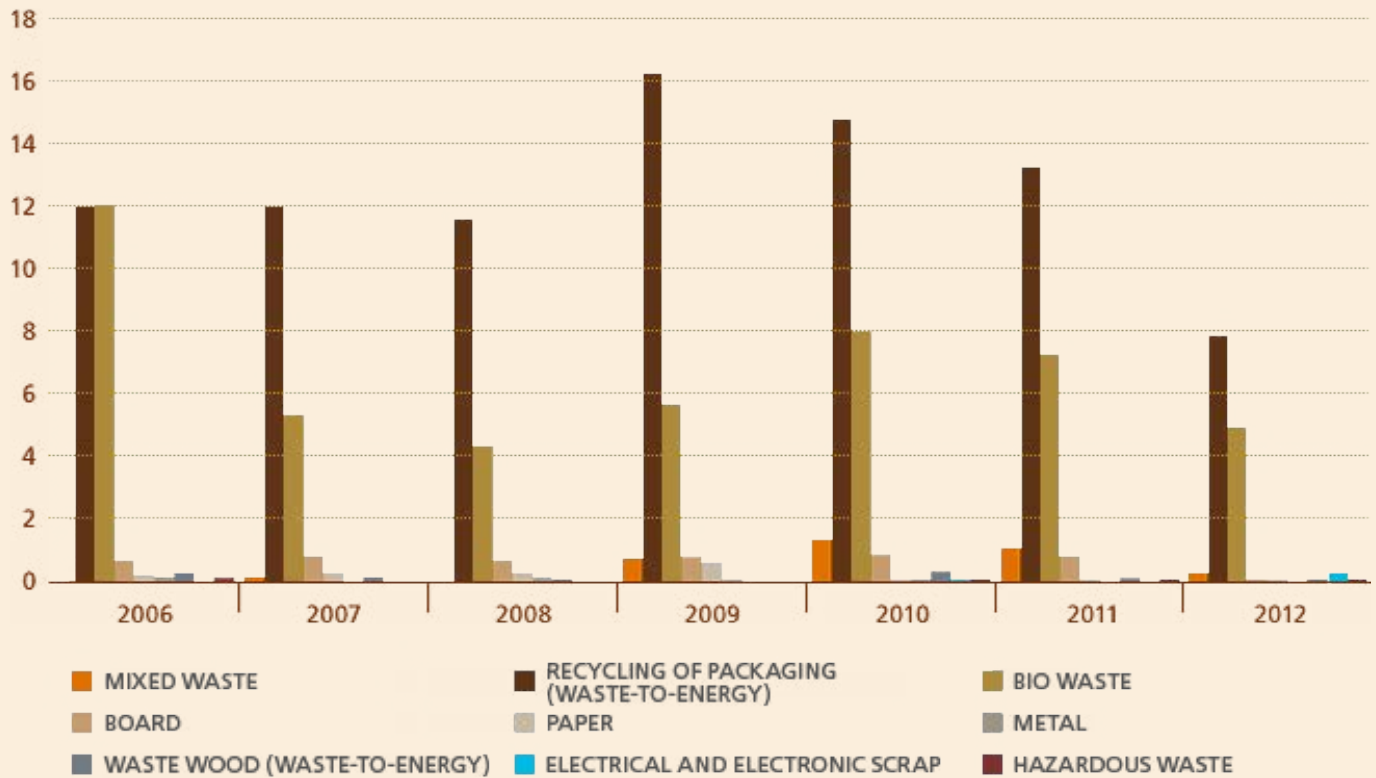
less packaging material than in the previous year.



The combined mass of the material saved is the equivalent of roughly ten cars.

Annual quantity of waste per tonne of output (kilos/tonne of coffee produced)

Quantities of waste have been monitored systematically since 2002. The aim is for all wastes to be recycled as a material or for energy. No mixed waste at all is produced any longer at the Vuosaari roastery.



Products and services

Paulig coffee is enjoyed in 13 different countries and our responsibility to consumers extends to many different markets. We want to promote wellbeing throughout the coffee chain and to provide coffee-lovers with the chance to make responsible choices. We seek to ensure the responsibility of all the coffee we produce, whether it has a special responsibility marking or not. In 2012, Paulig once again launched several new coffee options on the market.

Psycon is scented with responsibly brewed coffee

The consultant firm Psycon Oy is fuelled with coffee. Their Helsinki office alone gets through some 200 cups a day. All Psycon offices have Green Office certification granted by the WWF, and the company has also given careful thought to the responsibility of coffee provision.

Psycon's lobby buzzes with a gleaming coffee dispenser delivered by Vendor. Its bean hoppers are filled with Paulig Professional organic coffee, which also bears the Fairtrade label. Psycon's staff have been active about coffee. "Because of the wishes of the personnel, we started using certified coffee in dispensers immediately when it became available," says Kristiina Vehkomäki of Psycon.

The Green Office program meant considering the responsibility of all the subdivisions of coffee provision. "We calculated the coffee machines' energy consumption and thought about how it could be reduced. We've also completely given up disposable cups and single milk servings. The coffee grounds can be disposed of in organic waste and the coffee packages are also biodegradable, meaning there's no mixed waste at all," says Kristiina, who is on the Green Office team.

Vendor's Commercial Director Markus Koskinen tells us that the coffee machines at Psycon are highly energy-efficient. "When the end product is a hot beverage like coffee and fresh milk is used in the vending machine, you have to use a certain amount of energy to make the drink.



Kristiina Vehkomäki and a glass of responsibly produced coffee.

Patented technology means these vending machines use about 50% less energy than normal. Optimising the settings for electricity and water consumption is important."

Good coffee has saved many a meeting, so close attention was also paid to the coffee brewed in filter coffee-makers at Psycon. A tasting panel was formed for the personnel, which rated Paulig's responsibility-labelled coffee blends. The winner chosen was UTZ-certified Brazil blend. Freshly brewed coffee is poured straight into thermos flasks so the coffee maker can be switched off straight away, saving energy.

New flavours for the coffee market

During 2012, Paulig once again launched new coffee options. Finland's favourite blend after over 80 years on the market, Juhla Mokka, appeared in a new flavour choice.

Launched on the Finnish market, the dark roast blend Juhla Mokka Tumma Paahto responds to consumers' increasing interest in dark roasted coffees. The new product was enthusiastically received and quickly became the market leader for dark roast coffee in Finland.

The range of Paulig Capsolo capsule drinks was augmented with new options, which now total 15. The range includes Juhla Mokka, Presidentti Tumma Paahto, Paulig Parisien, Paulig Mexico Luomu, Crema Latte Espresso Fortissimo blends, English Breakfast and Green Tea Lemon teas, Tazza milk chocolate drink, and most recently Chai Latte milky tea and Mocchaccino cocoa coffee beverage. Paulig Capsolo was also launched in Russia through the online store in autumn 2012 .

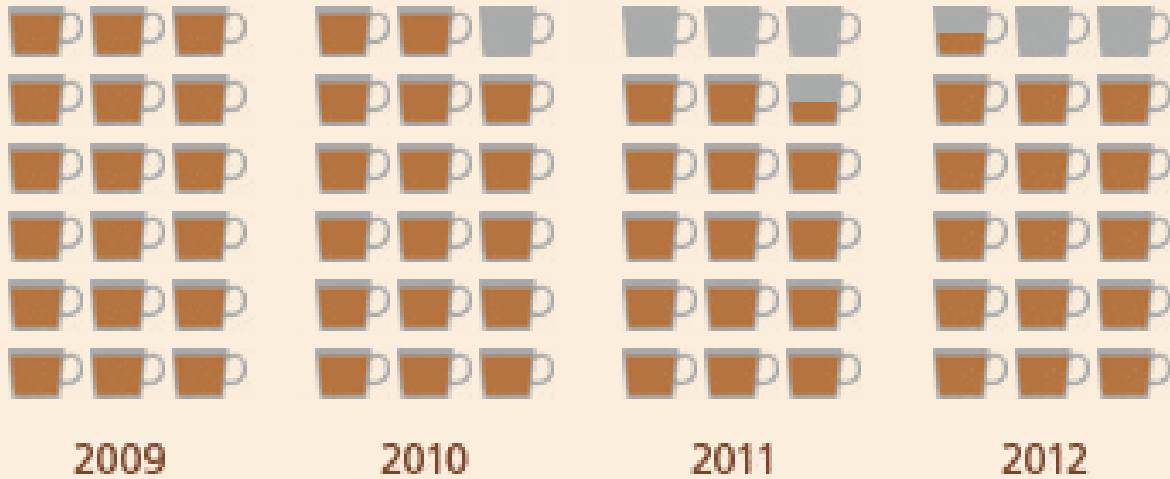


The world's first Angry Birds coffee blends flew onto kitchen shelves in Finland and Russia. The launch of the Paulig Angry Birds Early Bird filter coffee and the Paulig Angry Birds Explosive Espresso blend was assisted by a survey of Finnish morning coffee habits and amusingly illustrated coffee recipes.

Paulig now also serves coffee-lovers with the online retail service www.pauligshop.fi.

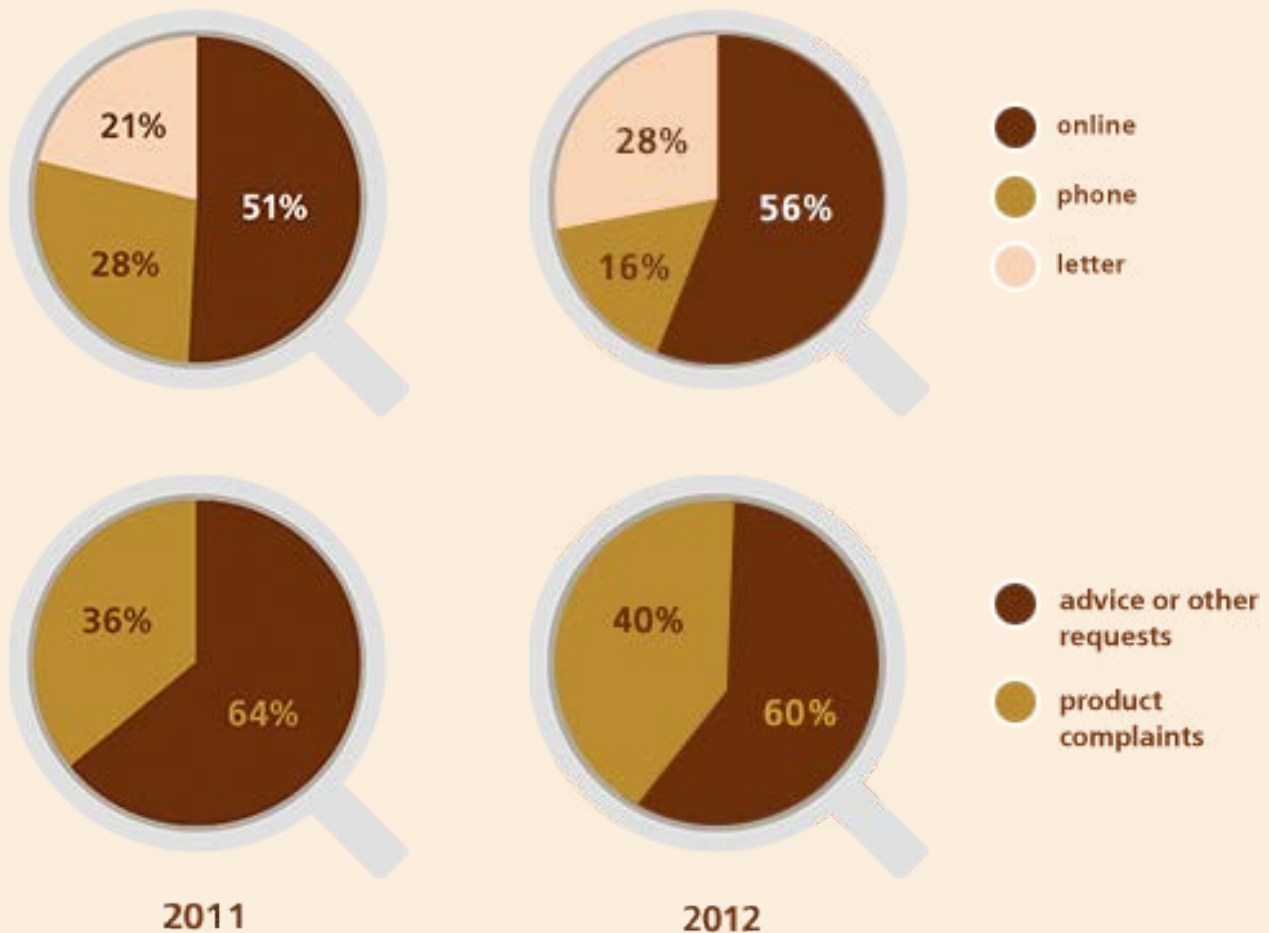
Figures and the results of our work

The number of product complaints decreased



A total of 527 product complaints were investigated in year 2012. Counted per one million kilo roasted coffee the amount of complaints was 13,3. In 2011 the figure was 14 complaints per million kilos.

Enquiries received by consumer service



Paulig's targets for corporate responsibility and their fulfilment

TARGETS 2012

FULFILMENT 2012

ESTIMATED TARGETS 2013

* = partly achieved
 ** = fully achieved
 0 = not achieved

0 / * / **

HEALTHY PERSONNEL

Good leadership

TellUS Leadership Index comparable with or better than comparison level of European companies. (Survey performed every 2 years)

Leadership Index slightly below comparison level

0

Measurement of supervisor and management expertise by tailored TellUS questionnaire. Target grade 3.0 (scale 1-5)

Expertise and personal development

3D appraisals completed with all permanent staff

Target discussion segment undergone by everyone. Development discussion segment undergone by 82 %.

**

80% of permanent employees have undergone the entire 3D process (targets, development plan and performance appraisal)

A safe and healthy work environment

Encouraging staff to observe and report health and safety risks. Target 60 observations/year

Observations 23/60 at Vuosaari roastery

*

Encouraging staff to observe and report health and safety risks. Target in Vuosaari 60 observations/year. Tver roastery to be OHSAS 18001 certified in 2013.

Reduction of sick leave due to work-related accidents by 10%.

Accident frequency rate 3

*

Keeping number of absences due to work accidents at a very low level.

Introduction of early intervention model

Model introduced and communicated to supervisors and other personnel.

**

Further training in applying the model for supervisors.

RESPONSIBLE PROCUREMENT CHAIN

Improvement of transparency for all procurement

Development of traceability of coffee purchases

Traceability of coffee purchases to 88 % of plantations and 47 % of co-operatives

**

Traceability of coffee purchases to 50% of plantations and 90% of co-operatives

Systematic increase of certified and 4C coffee used in Paulig products: target 5% share of all coffees by 2020.

Compliance with ethical purchasing guidelines in all procurements

All coffee suppliers have signed and pledged to comply with our ethical purchasing guidelines.	Target 100% achieved	**	
Purchasing guidelines adopted in procurement of other products and services	Organisation strengthened and planning begun.	*	A plan for the adoption of the guidelines is being drawn up in partnership with the Paulig Group. A questionnaire on responsible procedures is in use in the selection of new partners.

Compliance with ethical purchasing guidelines in all procurements

Alternatives are being checked out for implementing external assurance together with the Paulig Group.

ENVIRONMENTALLY FRIENDLY PRODUCTION

Energy conservation

5% reduction in electricity consumption by improving the process and building automation.	Electricity consumption down by 7%	**	5% decline in electricity consumption by improving the process and building automation.
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Reducing waste quantity

10% reduction in organic waste from production	Organic waste quantity down by almost 40%	**	10% decline in the quantity of organic waste in production.
Experiment with Finnish Plastics Recycling Ltd on collection of coffee packaging waste from consumers	Eco point pilot ended in August 2012. The experiment with plastic packagings continues. www.suomenuusiomuovi.fi		
Reducing the use of packaging laminate (kg) by 3%	Use of laminate reduced by 30,000 kilos (3%)	**	Reduction in use of packaging laminate (kg) 3%
R&D on laminate manufactured from renewable raw materials	Use of laminate tested.	**	Continuation of R&D on laminate made from renewable raw materials.

Green Office

Reducing commuting by stepping up phone and videoconferencing	Videoconferences total 2,394 (August-September 2012)	**	Reducing commuting by stepping up phone and videoconferencing
5% decrease in use of copy paper	Use down by 43%	**	5% reduction in use of copy paper

QUALITY PRODUCTS AND SERVICES

Reduction in product complaints and the continuous improvement of operations

Number of product complaints below 15/million kilos output (Finland), less than 10/million kilos output (Russia)	Actual figure in Finland 13.3, in Russia 5,4	**	Number of product complaints below 15/million kilos output (Finland), less than 10/million kilos output (Russia)
Result of plant quality tours 88%/100%	89%/100%		(Method for measuring production operational quality has changed)
Quality of manufacturing operations			GMP*auditing index 60 (Q1-2), 65 (Q3-4) /75 (FI), 36 (Q1-2), 40 (Q3-4) /45 (RU)

Attending to the brands' significance and keeping the products attractive to consumers

Paulig's coffee brands Finland's most desirable (1)	Paulig is the market leader in Finland	**	Paulig's coffee brands the most desirable in Finland (1)
Paulig's reputation is among the top three most responsible companies (TNS Gallup)	Paulig achieved 2nd place in the survey.	**	Paulig among the top 3 companies for reputation (TNS Gallup)

PROFITABLE BUSINESS

We are committed to long-term profitable business

The profitability criteria agreed in the Paulig Group's strategy are fulfilled	The net operating profit target was overachieved	**	The profitability criteria agreed in the Paulig Group's strategy are fulfilled
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Investments in coffee growers' training

Number of growers involved in ICP projects 17,000	17,550 growers involved	**	Number of growers involved in ICP projects 17,000
Investments in ICP and CC projects €147,400	161 840 €	**	Investments in ICP and CC projects €180, 000
Results of survey of reputation and corporate responsibility by TNS Gallup: Paulig among the top 3 rated companies	Paulig achieved second place in the survey.	**	Results of survey of reputation and corporate responsibility by TNS Gallup: Paulig among the top 3 rated companies

Vastuullisten toimintatapojen varmistaminen

Developing ethical principles.	Ethical principles were drawn up together with the Paulig Group.		Communicating the ethical principles to all employees plus training sessions in Finland.
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