



Responsible Taste Experiences

Paulig Group Sustainability Report 2016

About this report

Welcome to explore Paulig Group's sustainability work. This is our first sustainability report. The Group's Coffee division has reported annually on its responsibility in 2003–2015 and the reports are available >> www.paulig.fi.

This report covers the performance of the Group's divisions in 2016, except Gold&Green Foods Oy, 51 per cent of which was acquired during 2016.

In the reporting, the Global Reporting Initiative (GRI) G4 guidelines are applied. For more information please contact fredrik.rosenholm@paulig.com

CONTENTS

About this report	2
CEO's review	3
Our main achievements and challenges	4
About Paulig Group	5
<i>The economic impacts of Paulig Group</i>	7
Our approach to sustainability	8
<i>Key areas in our sustainability work</i>	9
<i>Managing sustainability</i>	10
Fostering social responsibility	12
<i>Building an engaging workplace culture</i>	13
<i>Ensuring a healthy and safe workplace</i>	17
<i>Towards a sustainable supply chain</i>	18
Caring for the environment	23
<i>Managing our environmental impacts</i>	24
<i>Efficient usage of resources in our own operations</i>	25
<i>Protecting the environment along the supply chain</i>	28
<i>Product and services with the environment in mind</i>	30
Supporting consumers' health and wellbeing	31
<i>Health and wellbeing in focus</i>	32
<i>No compromises on food safety and quality</i>	36
Acting as a constructive part of society	38
<i>Listening to and collaborating</i>	39
<i>Support for communities along the value chain</i>	41
Sustainability key figures	44
GRI content table	46
Management systems in the Paulig Group	48
Our memberships in organisations	49

“We want to introduce products and services that enable our consumers to make more sustainable choices”



It is my pleasure to present our first Group-level corporate responsibility report. It brings together the work that our various units have been doing for many years, on the basis of which we during the past few years have developed a shared model and programme. Sustainable development and responsibility are more important than ever on a global scale and the consensus over their significance has grown. The important steps taken in 2016 are a testimony to this: The UN announced its new Sustainable Development Goals and a Climate Change Conference was held in Paris where a total of 195 countries made a commitment to reducing their greenhouse gas emissions.

As a family business, building the future for the generations to come is in our heritage. We are about exploring the best tastes, and that involves not only taste experiences but also a good after-taste. An ethically sound foundation, a corporate culture that is based on our values, good leadership, ensuring human rights and good working conditions, care for the environment, product safety and consumer wellbeing are absolutely necessary with regard to our business operations and future generations alike.

Promoting these is also included in Paulig Group's sustainability programme, which we are developing step by step. Responsible operations increase trust and create opportunities for growth in new areas. We want to continuously enhance our understanding of our impact and to improve our way of working in order to find the best ways to promote sustainability throughout the value chain.

Progress made in 2016

Our Sustainable Sourcing process, which focuses on assessing and ensuring the responsibility of our raw material suppliers, has been in operation since the beginning of 2015 and we are continuing to develop it. The Coffee division's Sustainable Coffee programme is also on schedule.

Internally, we focused on occupational health and safety, which reduced absences and accidents. Years of work to develop our corporate culture and good leadership were evident in the results of our personnel survey, which continued to improve.

Actions taken by our divisions have decisively reduced our

greenhouse gas emissions. The Vuosaari coffee roastery has been using biogas and wind power since August 2015. The World Foods & Flavourings division has met its goal to halve its greenhouse gas emissions by 2020, from the 2012 level, by improving its energy efficiency and using wind power. The Naturally Healthy Food division compensates its CO₂ emissions by supporting the planting of trees in Mexico and Peru.

We have made significant investments for the future. In addition to environmental matters, health and wellbeing are strong consumer trends. Last autumn we became a majority partner in the company Gold & Green Foods, known as the developer of Pulled Oats, and in 2015 we acquired the Swedish company Risenta, which is known for its healthy products.

Towards a sustainable future

Consumers are increasingly interested in health and wellbeing, and the origin and climate effects of food. They will also lead the way in our business. We will continue to implement our sustainability projects with regard to supply chains and environmental management. Our ability to introduce products and services that inspire and enable consumers to make more sustainable choices, such as Pulled Oats, is better than ever before.

This calls for a great deal of knowledge, expertise and investment. The required solutions are not necessarily readily available. Instead, they must be identified by means of cooperation, networking and an active dialogue with society and the operators within our value chain.

It is evident to us that responsibility will sustain us for the next 140 years. This is why we have adopted it as a part of our new Strategy and Growth function and we will support its implementation at the Group level with increased resources. I believe that this approach will enable us to offer excellent taste sensations for the generations to come.

Jaana Tuominen
CEO, Paulig Group

OUR HIGHLIGHTS OF 2016

By prioritising health and safety, we managed to decrease lost-time accident frequency by **58%**.

We carried out **38** supplier sustainability audits in **14** countries according to our Sustainable sourcing practices.

90% of the Group's direct suppliers had signed the Code of Conduct for Suppliers by the end of 2016.

Under **2%** of the Group's total waste ends up in landfill.

Almost **70%** of our waste is food waste and recycled as animal feed or used for bioenergy production.

Our sites in Finland, Sweden, Estonia and United Kingdom are using **100%** renewable electricity.

Naturally Healthy Food and World Foods & Flavouring offset their greenhouse gas emissions through projects in Mexico, Peru and India.

Easy to use vegetarian options Risenta meal mixes and Pulled Oats were launched.

Over **50%** of Poco Loco products are produced by using sunflower oil instead of palm oil.

Santa Maria launched seven new organic products.

40% of the coffee sourced was certified by UTZ, Fairtrade-Organic and Rainforest Alliance.

International Coffee Partners' projects support coffee farmer families and have reached over **60 000** farmers since 2001.

The World Foods & Flavouring division is participating in a Swedish water network to promote sustainable water use.



These we need to develop further

To deepen our understanding of consumer behaviour in relation to sustainability.

To work together with and support our suppliers in building a sustainable supply chain.

To continue harmonising our way of working between divisions and further develop follow-up.



ABOUT PAULIG GROUP

“We see good prospects in the area of health and wellbeing. In 2016, Paulig Group continued investing in the health and wellbeing sector.”

Paulig Group is a family-owned international food business founded in 1876, known for its high-quality products such as Paulig coffees, Santa Maria spices and international food concepts. Our new brands are Risenta and Pulled Oats™, which form a good foundation for future growth within the wellbeing category.

Our business is divided into four divisions: Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food. We have operations in the Nordic and Baltic countries, Russia and its neighbouring areas, Continental Europe and the United Kingdom. Our products are sold in over 60 countries. Currently, 59% of the Group's sales are in the Nordic countries and 41% in other markets.

In the end of 2016, the Group had over 2000 employees in 13 countries, and its net sales were EUR 917 million. The company is headquartered in Helsinki, Finland.

Changes in the Group's structure and operations in 2016

- Majority (51%) of Gold&Green Foods Oy was acquired
- The move of the taco chips production from Mölndal, Sweden to Roeselare, Belgium was finalised
- Risenta Norway AS was established



CASE

A strong focus on health and wellbeing

In 2016, Paulig Group continued investing in the health and wellbeing sector by acquiring the majority holding of the manufacturer of Pulled Oats™, Gold&Green Foods. Pulled Oats is a “perfect protein” alternative and has been a big success in the Finnish market.

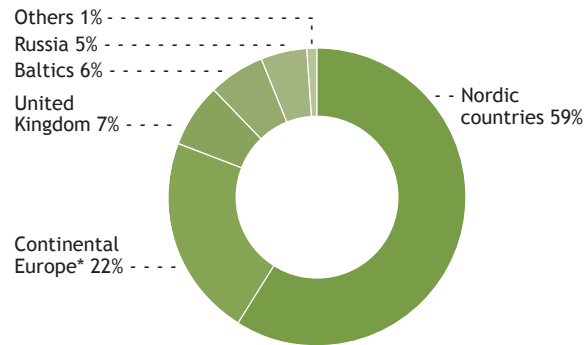
The product was invented by the Gold&Green team and is protected with patent applications and trademarks. Gold&Green Foods will continue as an entrepreneurial and independent unit after the acquisition.

“The partnership with Paulig provides us with the resources and competence to increase the production of Pulled Oats in Finland and abroad. Our experts can focus on the development work”, says Maija Itkonen, Managing Director of Gold&Green Foods.

“We see good prospects in the area of health and wellbeing. In 2015 we acquired the Swedish Risenta AB, known as an advocate of a healthy lifestyle. Gold&Green, with Pulled Oats, is a significant future player in this sector,” says Jaana Tuominen, CEO of Paulig Group.

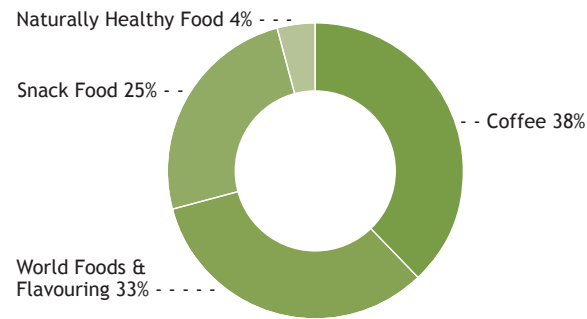


Net sales per market, 2016

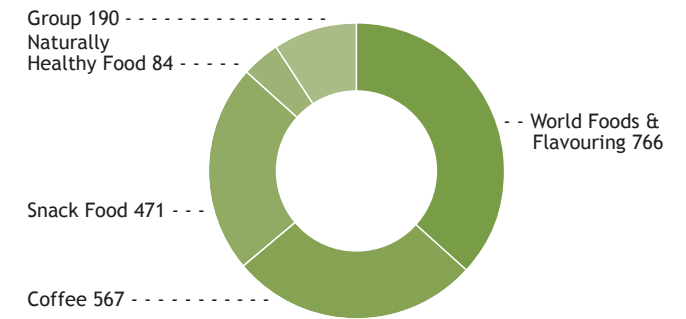


* e.g. France, Germany, Netherlands, Belgium, Spain, Switzerland, Italy, Poland, Austria, Czech Republic

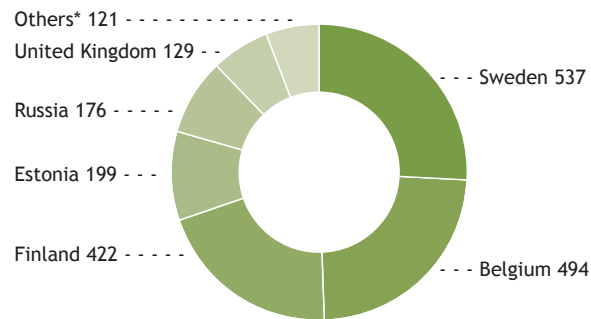
Net sales per division, 2016



Personnel by division, 31.12.2016



Personnel by country, 31.12.2016



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

Operations in 13 countries



The economic impacts of Paulig Group

Paulig Group operates globally and has direct and indirect financial impacts on the economies the Group operates in. Direct impacts include purchases of goods from suppliers, wages and benefits paid to the Group's employees, dividends paid to the owners and shareholders, and income taxes paid to the public sector.

We also contribute indirectly to the economy in many ways. Our biggest indirect impacts relate to the supply chain. Paulig Group purchases a substantial amount of raw material from developing countries, thereby creating business and job opportunities along the supply chain. We collaborate actively with our partners and other operators to enhance sustainable farming practices and better business skills in the countries of origin.

Our tax payments

In 2016 the direct income taxes paid were EUR 19 million, of which approximately 29% was paid in Finland, 36% in Belgium, 17% in Sweden and 18% in other countries we operate in. In addition to direct income taxes, we contribute to society in the form of pension and social security contributions, payroll taxes, value-added taxes, sales taxes, customs duties, excise, real estate and environmental taxes. Paulig Group pays and collects these taxes following the applicable rules and regulations. Payroll-related tax payments and VAT make up most of Paulig Group's tax footprint.

Economic value created and distributed in 2016

Stakeholder		EUR million
Customers	Net sales	917
Suppliers	Purchases	698
Employees	Wages and benefits	117
Shareholders, owners	Dividends	22
Public sector	Direct income taxes per year	19

About our tax strategy

Our principle is to pay the right amount of tax legally due in the right jurisdiction. We observe all applicable rules and regulations in all the countries we operate in and follow the rules set by the appropriate authorities.

Our transfer pricing is based on the global Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by the OECD. We also follow the development of local

transfer pricing rules and regulations and adopt localized policies if necessary.

Our tax planning is aligned with business models and we consider taxes as one element in decision making. Business or location planning is driven by sound commercial needs.

More information about our financial figures and corporate governance can be found in the Paulig Group Annual Report. >> www.pauliggroup.com

Our mission

Exploring Great Taste

Our values

Stay
Curious

Strive for
Excellence

Grow
Together

>> www.pauliggroup.com/about-us/mission-vision-and-our-values/

A young boy in a blue and white striped tank top and white shorts stands in a field of tall, golden wheat. The wheat is in the foreground and middle ground, with some small white daisies visible. The background shows a clear blue sky with a few wispy clouds. The overall scene is bright and sunny, suggesting a warm day.

Our approach to sustainability

Within Paulig the commitment to high quality and a long-term view have been a part of our way of working ever since 1876 when Gustav Paulig founded the company.

Our business is based on natural raw-ingredients and the supply chains are global. Our future success will only be possible if the wellbeing of people and the environment throughout the value chain are taken care of.

KEY AREAS IN OUR SUSTAINABILITY WORK

“We are committed to exploring great taste in a way that leaves a good aftertaste.”

Paulig Group's sustainability work focuses on the areas which are important to our stakeholders, society and the environment and where we can have a positive impact through our own actions and collaboration. They are based on a materiality analysis conducted in 2015. The findings of the analysis also steer the Group's sustainability reporting. The identified key focus areas are:

Our focus areas



1. Fostering social responsibility

- Sustainability in the supply chain; human rights, labour conditions, the environment
- A good workplace

2. Caring for the environment

- Climate and energy
- Resource efficiency with focus on waste, packaging and water
- Sustainable agriculture

3. Supporting consumers' health and wellbeing

- Quality and food safety
- Consumer health and wellbeing
- Sustainable consumption; certified raw materials and products

4. Acting as a constructive part of society

- Collaboration and participation in sustainability-related development projects and initiatives
- Support for communities

About the analysis of material topics

Paulig Group's sustainability programme is built on the sustainability topics found to be the most relevant for our company and stakeholders. In defining them, we used stakeholder, consumer and customer surveys and feedback, interviews, a management review and employee surveys from all divisions. In addition, industry benchmarks and other relevant materials were reviewed. The latest materiality analysis was conducted in autumn 2015.

Thus far, most effort at the Group level has been put into developing an ethical business culture, leadership and a sustainable supply chain. As many of the topics identified in the analysis cover a scope wider than the Group's and its divisions' own operations, there is a great need to actively collaborate with other parties. For example, in sourcing this is fundamental and our divisions have been working for years with their suppliers and partners both to improve performance and to have a positive impact through various sustainability programmes and activities.

The scope for Paulig Group's sustainability work: value chain



MANAGING SUSTAINABILITY

Ethical principles training is for all employees

Our sustainability work is based on Paulig Group's common values and mission and guided by management systems, operating principles and codes of conduct (the Exploring Great Taste guide and Paulig Group Code of Conduct for Suppliers). Responsibility issues are reviewed regularly in all parts of the organization. >> Read more www.pauliggroupp.com

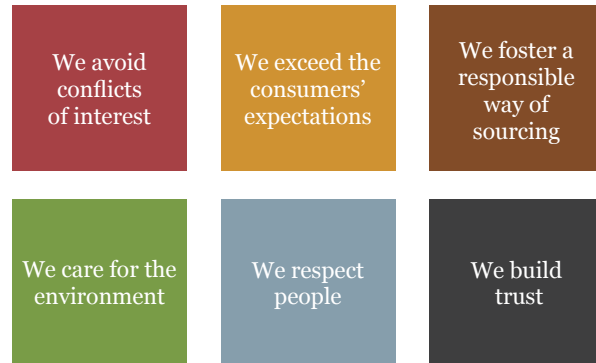
Building an ethical business culture

Paulig Group has strong brands, and consumers and customers trust the company. To maintain these valuable assets, we are committed to a highly ethical way of operating. Our ethical principles

set the standard for all employees in all units, and all suppliers must commit to the Paulig Group Code of Conduct for Suppliers. The ethical principles are supported by following Group-level policies and management systems:

- Paulig Group Code of Conduct for Suppliers
- Paulig Group Corporate Governance
- Environmental management systems (divisional)
- Food safety management systems (divisional)
- Health and safety management systems (divisional)
- Paulig Group Enterprise Risk Management Policy

Paulig Group's ethical principles



Training and communicating

In addition to ethical principles training, there are sustainability training sessions for personnel organized in divisions. The goal of these is to increase the awareness of corporate responsibility in Paulig Group, to acquaint personnel with the Group's shared values and ethical principles, and to bring sustainability even closer to each employee's daily work and ways of working. In addition, people working within sourcing, quality management and sustainability functions are trained to ensure consistent evaluation of the social and environmental work of Paulig Group's suppliers.

In 2016, the Group updated the basis for its sustainability programme, continued to develop sustainable sourcing process and practices and prepared for a Group-level sustainability reporting.

Managing risks and opportunities

The Group's risks and opportunities management is based on our Enterprise Risk Management Policy (ERM) which is approved by the Board of Directors. Risks and opportunities are governed in a systematic and structured way and ERM is an integral part of long- and short-term planning. The aim is to support the achievement of the strategy and the annual business targets as well as to ensure continuity of the business.

Key risks and opportunities are identified and managed as part of business operations. Risk management covers strategic, operational and hazard risks. Sustainability is classified as strategic because of its importance to our business.

CASE

Introducing ethical principles

Paulig Group's ethical principles were introduced in 2013 and a training programme was launched in 2014. During the launch period 2014–2015, 89% of Group employees completed an e-learning programme, which was complemented with a booklet and team discussions. Since then, all newcomers have been advised to complete the e-learning. However, the practices regarding completion of the e-learning and running team discussions has varied in different divisions and will be harmonized in 2017. According to our personnel study, TellUS, 92% of respondents said our company lives up its ethical principles.

Paulig Group has a grievance channel for employees to enable them to report violations concerning ethical principles. The channel is in the intranet and messages can be sent anonymously. In 2016, no grievances were reported.



A woman wearing a red long-sleeved shirt and a white headscarf is harvesting red chili peppers in a field. She is holding a bunch of peppers in her hands. The field is filled with green plants and many red chili peppers. There are three overlapping white circles on the image, with the top one containing the text 'Fostering social responsibility'.

Fostering social responsibility

For us, social responsibility means taking care of people's wellbeing both in-house and in the supply chain. We want to build an engaging work environment with a culture that strongly supports safety and wellbeing at work. >>

In our supply chain, we emphasise human rights, decent working conditions and fair employment. We enhance responsibility through our sustainable sourcing practices. >>



BUILDING AN ENGAGING WORKPLACE CULTURE

At the end of 2016, Paulig Group employed a total of 2,078 persons in 13 European countries. We believe that a strong and inspiring business culture is key to the company's success. Building our culture is part of the Group's strategy, together with growth and productivity. We want to provide employees with a healthy and safe workplace where they enjoy to work. The results of the employee engagement survey, which have improved year on year, indicate that a determined focus on the development of supervisory work and personnel competence has paid off.

Engaged employees – the most important ingredient

When building our success, engaged employees are the most important ingredient. Employee engagement and what supports it have been measured within the Group since 2010. The *TellUs* employee engagement survey and a shorter *TellUs Pulse* are conducted in alternate years.

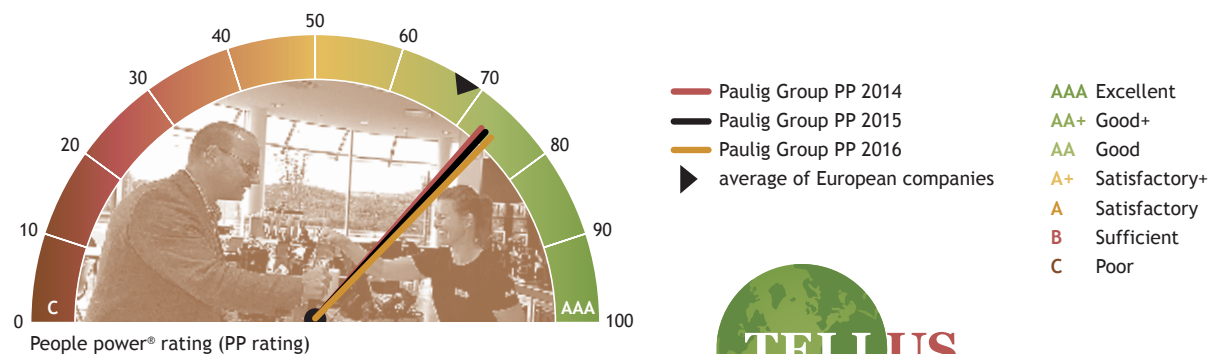
The Paulig Way brings our mission, values and strategy together – it summarises who we are, how we work and what we focus on.

In the latest *TellUs* survey, conducted in September 2016, the response rate was 92%. Overall, the results indicate that employee engagement is at a good level. Compared to previous years, we have improved our results in leadership and employer image. A strong leadership culture and employer image are known to correlate closely with employee engagement.

In addition to the positive results, improvements are needed, especially related to high stress levels and workload as well as unclear responsibilities in decision making.

In 2016, we started to measure how well our culture – The Paulig Way – has been integrated into our way of working. The results show that our employees understand and live up to the values, mission and strategy of Paulig Group. Understanding of our mission – Exploring Great Taste – and how we add value for consumers also received positive evaluations. In addition, 92% of employees feel that we live up to our ethical principles.

TellUs employee engagement survey



CASE

TellUs survey 2016: Communication and leadership skills in focus in Russia

The results from TellUs provide valuable information about the current situation and development needs. The results are analysed carefully, and all teams form action plans.

Sales Director **Sergey Fadeev**, of Paulig Coffee Russia, is really satisfied with his teams' results.

"Our employees are highly engaged with the TellUs survey, as they can see real changes and outcomes as a result of participating," Sergey describes.

"Although the result of TellUs was very good, we also identified areas for development. One was to enhance managers' confidence and independence in decision-making. We chose this as a priority area for development of leadership skills."

We also identified the positive feedback that employees gave to each other as an opportunity to develop our culture of communication. It is important to celebrate not only large but also small achievements, which allows us to maintain team spirit and motivation – we will start doing it in our weekly meetings!"

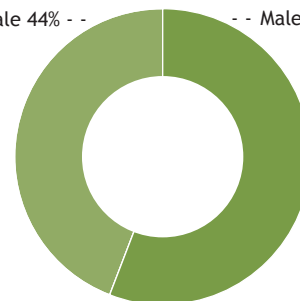




We see coaching to be a core skill in building a good leadership culture. Paulig Group's HR organization strengthens their own coaching skills with the aim to help all Paulig managers become better coaches. In the picture Olga Sitnikova ja Kaisa Savola are exchanging ideas on coaching for targets.

Gender

Female 44% - - Male 56%



Encouraging professional growth

We encourage our employees to develop their knowledge, skills and competence continuously by offering opportunities for knowledge sharing and competence development. The majority of competence development takes place through on-the-job learning. In addition, we offer a number of development programmes and training opportunities. The areas of focus in 2016 were leadership development, sales and sourcing, and these programmes will be continued and developed further in 2017.

Leadership skills in focus

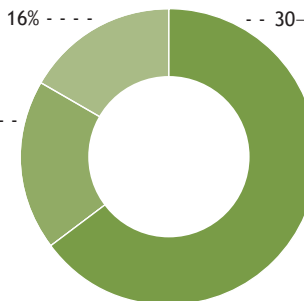
We consider leadership skills to be a key factor for the success of the entire organisation and have invested considerably in development of the managerial work and leadership culture. During the period 2009-2015, we systematically trained over 150 managers across the Group. In 2016, we started a new leadership programme, Paulig Way Leadership Experience, which further develops our leaders in exploration, innovation and in reaching targets.

This training has provided many of our managers with a new perspective and has helped them to internalise their own role. This work is continuing in 2017.

Age groups

Over 50 years, 16% - - - 30–50 years, 65%

Under 30 years, 19% - -



Supporting personal growth and performance

We support our employees in succeeding and growing together with our business. With regular 3D* dialogues between managers and employees, we want to ensure everyone has equal opportunities to receive feedback and support. 3D is in use on all our sites. At the moment 3D dialogue is used for all office workers, and increasingly also for personnel working in production.

As management work plays an important role in achieving individual goals, all our supervisors have been trained to use this concept in employee development discussions.

*3D = 3 dialogues (targets, performance and development)

“According to employee survey our employees understand and live up to the values, mission and strategy of Paulig Group. Over 90 per cent of them feel that we live up to our ethical principles.”

Equity and justice drive our remuneration

With our remuneration offering we want to attract and retain the talent needed to successfully execute our strategy, support employee engagement and provide tools for managers to effectively lead and steer the performance of their teams.

The driving principles for remuneration are equity and justice. We regularly evaluate our remuneration practices and external competitiveness as well as the internal equity of remuneration levels. We do not accept discrimination of any kind; gender, sexual orientation and other aspects of diversity do not affect wage determination and development.



CASE

Paulig Group's training programmes 2016

Paulig Way Leadership Experience

Our new leadership programme, Paulig Way Leadership Experience has two parts: first the focus is put on innovation, speed and exploration, and then we rethink ambitions, results, performance and coaching. The aim is to train 160 managers and change agents during 2017–2018.

Consumer First — Selling the Story

The training to strengthen the Group's common way of selling was continued. Over 100 employees participated in training consisting of selling, negotiating and coaching.

Paulig Sourcing Academy

We continued to train our sourcing professionals through Paulig Sourcing Academy's e-learning platform. The whole sourcing team, in total 38 persons, participated in this programme. In 2016, 65% of planned courses were taken. The training also covers sustainability topics related to human rights, fraud and legal issues.

“We managed to decrease lost-time accident frequency by 58% and increase reported observations by 42%.”

ENSURING A HEALTHY AND SAFE WORKPLACE

We want to provide our employees with a healthy and safe workplace where they enjoy their work without risking their health and wellbeing. We strive to prevent all work-related accidents and illnesses proactively and eliminate discrimination at all levels in the organisation.

To achieve this and to harmonise the management and monitoring of health and safety within the Group, in 2016 we developed the Paulig Group Health & Safety programme and a roadmap for 2017–2020. Our ultimate target in 2020 is zero accidents and the wellbeing of all employees, which also includes leadership training for prevention of discrimination.

From a reactive to a proactive approach

In improving safety and averting risks, a proactive and preventive approach is the most important tool. This includes, for example, increasing our employees' safety awareness, systematically assessing and observing risks, and inspecting and auditing safety practices. Our objectives are to reduce the risk of work-related injuries and to increase reporting on risk observations. During 2016, we harmonised the relevant data collection and monitoring within the whole Group.

Raising safety awareness through local activities

Occupational safety was a subject of special focus in 2016 throughout the Group, and divisions also started their own initiatives. The Snack Food division launched a “Yes, we care” programme to reduce risks and to expand collective and individual safety awareness, and the Coffee division started an “I Care” programme with a focus on safety and working capacity leadership. A Group-wide safety behaviour programme will be developed and implemented in 2017.

By emphasising safety practices and awareness, we managed to decrease lost-time accident frequency by 58% and increase reported observations by 42% in 2016. Unfortunately, one serious accident related to machine safety happened in our tortilla factory in the United Kingdom. The majority of accidents were less severe, such as falling, stumbling and slipping.

In order to prevent recurrence of incidents, we have improved our analysis of root causes. For example, in the UK, the in-depth investigation led to a number of corrective measures, such as improving risk assessment and a technical lock-out solution.

Developing wellbeing Group-wide and locally

During 2016, we started developing a framework for future wellbeing activities for the whole Group. The focus areas include, for example, work life balance, healthy employees and leadership.

We provide occupational healthcare for all our employees locally. It serves as an important support regarding, for example, rehabilitation, medical prevention for travellers, and noise, dust and vibration measurements. We also support and arrange different free-time activities to promote employee wellbeing.





TOWARDS A SUSTAINABLE SUPPLY CHAIN

Our mission – *Exploring Great Taste* – encompasses our way of working and the journey of our products, all the way from the farmer to the consumer. Our supply chain stretches to numerous countries around the globe. Many of them are classified as risk countries and affected by social challenges and problems related to climate change and water stress. These topics are increasingly of concern for consumers and for us as a company. Therefore sourcing continues to be one of the key areas for our sustainability work.

Paulig Group's supply chain comprises raw material suppliers and various service and logistics providers. In 2016, we had about 460 direct and 6,000 indirect* suppliers, and our purchasing volume was 674 million euros. Of this, the share of raw and packaging material and traded goods was almost 500 million euros. We can enhance responsibility in our supply chain through, for example, setting sustainability requirements, performing supplier audits and cooperating with our suppliers and other stakeholders.

“Sustainable sourcing continues to be one of the key areas for our sustainability work.”

Sourcing from risk countries

A significant share of our raw materials comes from countries that are classified as risk countries by the BSCI (Business Social Compliance Initiative). In these countries, problems related to human and employee rights are prevalent. In 2016, the number of our suppliers classified as high-risk suppliers was approximately 150, based on the country they operate in or on the country of origin of the raw material.

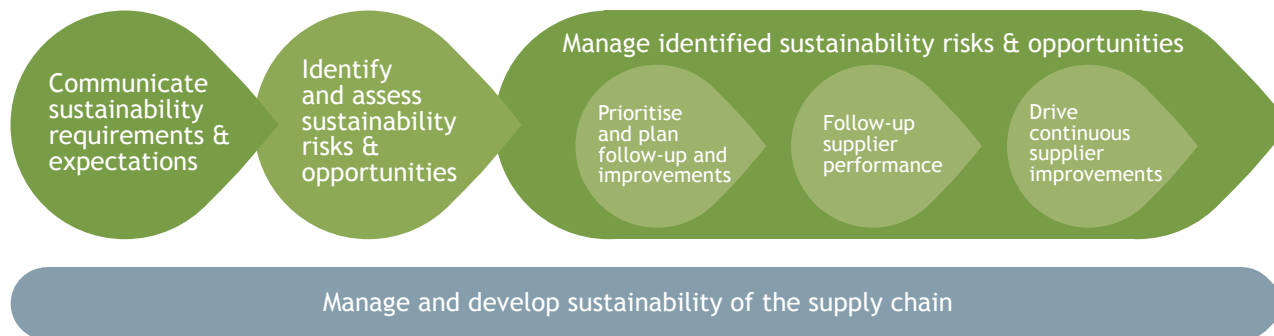
* Not harmonised figure, includes duplicates

Common understanding of sustainability

We aim to build long-term relationships with our strategic suppliers. A mutual understanding of ethical and sustainability aspects, and commitment to tackling the challenges, are important to the continuity of our relationships. The ethical and sustainability requirements for our supplier relationships are outlined in the Paulig Group Code of Conduct for Suppliers. >> [Read more Paulig-Group-Code-of-Conduct-for-Suppliers.pdf](#).

Our suppliers need to affirm their commitment by signing the code, which is to ensure, among other things, that the supplier provides safe and decent working conditions for its employees, complies with national laws and regulations, and reduces the environmental impacts caused by its operations. Paulig Group expects all of its suppliers to sign this document. By the end of 2016, 90% of the Group's direct suppliers had signed the Code.

Our Sustainable Sourcing Process



CASE

Responsible Sourcing — tools and practices to identify sustainability risks

To enhance responsibility and ethical practices in our supply chains, we have put a lot of effort during the last few years into developing the Group's sourcing practices and tools. As a result of our Responsible Sourcing projects in 2014–2015, we now have a common way of identifying and managing social and environmental risks in the supply chain. The main elements include our Code of Conduct for Suppliers, supplier self-assessment questionnaires, risk assessment methodology and structured sustainability audits.

"The Responsible Sourcing project has been the most important sustainability initiative in Paulig Group in recent years. We have hugely increased understanding of our supply chains and the challenges but also the opportunities we face in them," says Coffee division's Sourcing Director **Katariina Aho**.

"The development of our sourcing practices continues. We will, for example, improve our systems for supplier information gathering and follow-up and consider environmental issues more thoroughly. In addition, building sustainable collaboration with our suppliers is key."





CASE

Investigating fish sauce production in Thailand

In May 2016, we carried out a sustainability audit of our fish sauce supplier in Thailand, as the working conditions in the Thai fish industry have been a concern. We also had opportunity to interview some Cambodian fishermen in the harbour that provides the fish used in Santa Maria's fish sauce.

"The working conditions in the factory were mainly good; we made only a few minor findings related to work safety and communication. We also checked the traceability of fish, asking whether they could show us which boats had caught the fish in a specific batch of fish sauce. Tracing of the batch was accomplished quickly and the anchovy was traced back to eight different fishing boats," describes Sustainability Manager **Sandra Flodström** from the World Foods & Flavouring division.



Evaluating and following up our suppliers

In the food sector, common sustainability risks are related to human rights and to employee rights, such as fair remuneration and working hours. In addition, business ethics and environmental aspects such as the use of water and pesticides are of high importance.

The sustainability risks related to Paulig Group's suppliers are evaluated through country risk assessment, supplier self-assessments and audits. We always conduct a supplier risk assessment before starting collaboration with a new supplier and the assessment is updated regularly. We concentrate the evaluations on our high-risk suppliers, and thus far we have asked approximately 140

suppliers to conduct the self-assessment.

In 2016, we carried out 38 sustainability supplier audits in 14 countries, for example in Brazil, Guatemala, Colombia, India, Thailand, China, Malaysia and Indonesia. The audits covered inspection of production, warehouses and social facilities, employee interviews and a review of documents and records. The main areas of non-compliance identified were related to occupational safety, working hours and payment of wages. Suppliers lacking full compliance were asked to provide a plan for corrective action, which we will monitor.

Our target is to audit 60% of all identified high-risk suppliers by the end of 2017. The rest of the high-risk suppliers will be audited during the next few years.

Deepening understanding of sustainability issues

In 2016, we started sustainability mapping of raw materials to deepen our knowledge of key sustainability risks and opportunities in each step of the supply chain – from farm to delivery to Paulig Group. This enables us to prioritise and focus our resources and action on issues that are most relevant from a sustainability point of view for different materials.

The results show that the key sustainability risks can vary greatly in different steps of the supply chain, and for different raw materials. The analysis was based on information from collaboration, visits and other contacts with the suppliers, and from international risk assessment tools and sources. It has been carried

out for six raw materials so far, starting with the most important materials, based on purchase volumes.

Growing competencies for supplier evaluation

To ensure consistent evaluation of suppliers' social and environmental work, and to have the right competencies in place, we have organised training for employees who work in the Group's sourcing and quality management functions. In 2016, a total of seven employees participated in the training, which included, for example, introducing audit processes and the Group's tools to be used before, during and after the audit. Our goal is to build up the auditor competencies and general sustainability knowledge in each division.

"In 2016, we carried out 38 supplier sustainability audits in 14 countries and hugely increased our understanding of our supply chains."

CASE

Sustainable sources for all Paulig coffees

The Coffee division is running its ambitious Sustainable Coffee programme with the goal of ensuring the sustainability of all their coffees by the end of 2018. In other words, all green coffee purchased must meet the set responsibility requirements and be traceable all the way to the coffee farms. These requirements cover, for example, respect for human rights, good working conditions, protecting the environment and promotion of sustainable farming practices.

"To succeed in this, we concentrate purchases on certified or, for example in development projects responsibly produced coffees. In addition to this we also perform our own audits in the supply chain. This is demanding, as coffee supply chains in the countries of origin are long and winding, and most of the sustainability challenges are along those chains," says Senior Sourcing Manager Timo Allen.

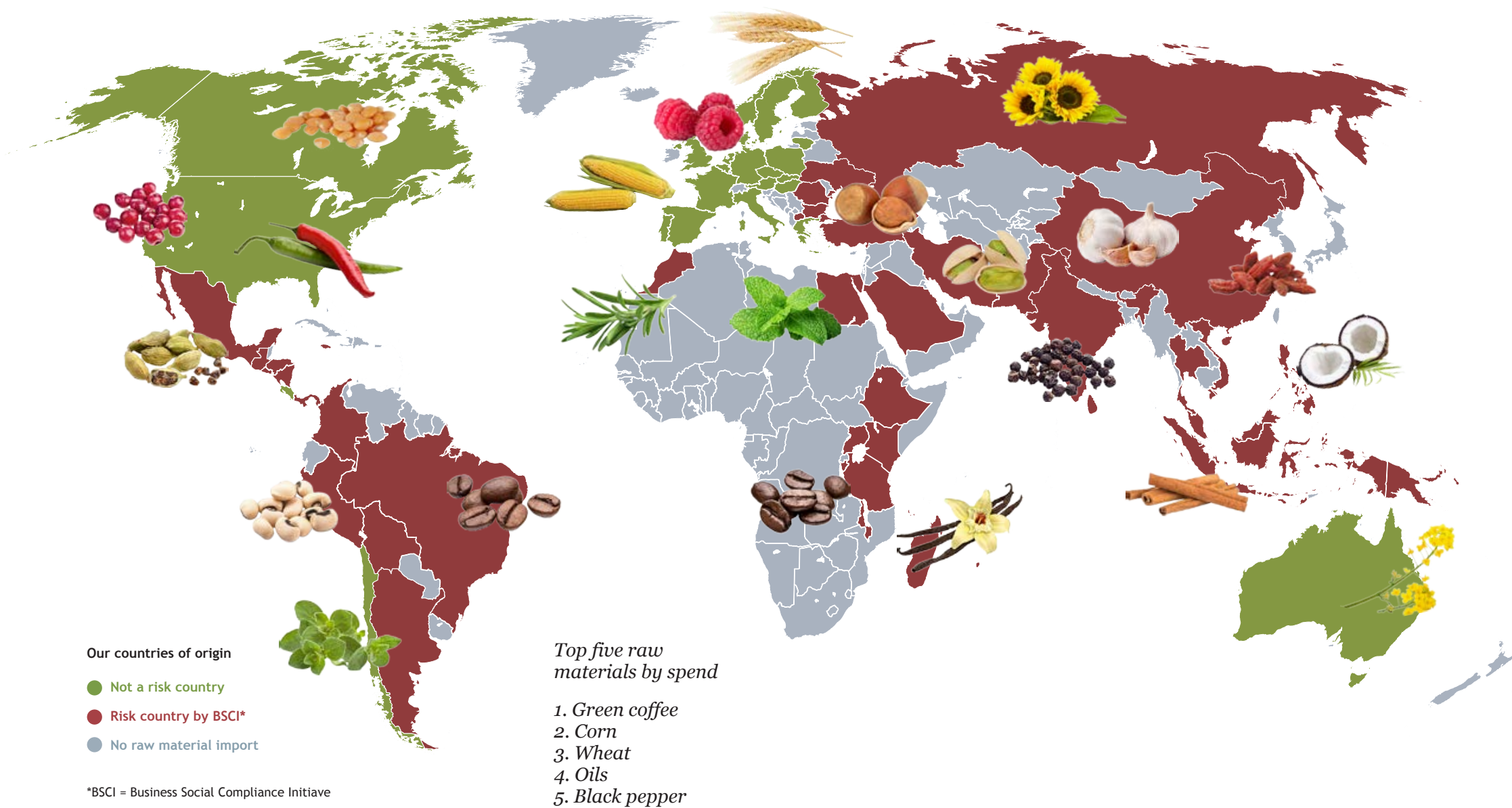
"We now assess our coffee suppliers to see how they manage their own supply chains and to verify that the principles stated in the Paulig Group Code of Conduct for Suppliers are followed."

"So far, we have assessed 18 suppliers and visited 40 farms and 11 warehouses in Brazil, Colombia and Guatemala. During the visits we have discussed with suppliers and farmers, observed how the principles work in practice, walked through the facilities and checked documentation. When we noticed non-compliance, we asked the supplier to provide a plan for corrective action."

Sourcing Manager Anna Vänskä and Victor Beis from ECOM Nicaragua checking coffee processing in a dry mill.



Where our raw materials come from





Caring for the environment

Great taste begins with respect for our planet, and we want to care for the environment all the way from the farm fields to the consumers' kitchens. A cared-for environment is a prerequisite for the availability of our raw materials and for the wellbeing of producers. We therefore have both a responsibility and an opportunity to take care of it.



MANAGING OUR ENVIRONMENTAL IMPACTS

As a food and beverage company, our business is strongly dependent on natural resources and the state of the environment. The global food system is facing considerable challenges as the basic conditions for the cultivation of food are affected by climate change and water stress. At the same time, food production is responsible for a major share of global greenhouse gas emissions and accounts for two thirds of all fresh water used in the world.

We affect the environment throughout our value chain, from cultivation to consumption. Hence we are focusing our activities on the following main environmental challenges:

- **Climate change and energy consumption**
- **Food waste and other wastes**
- **Water**
- **Packaging**
- **Sustainable farming**

We are working to reduce our environmental impacts along our value chain in different ways

In our supply chain



- Co-operation with suppliers
- Responsible sourcing
- Promoting and supporting environmental projects
- Improving logistics

In our own operations
— in factories, warehouses and offices



- Energy consumption and greenhouse gas emissions
- Waste production
- Water usage

In consumption



- Improving packaging
- Supporting consumers in reducing waste
- Offering organic products
- Providing vegetarian recipes

In 2016, we started developing Paulig Group-wide environmental programme. The aim is to align and harmonise environmental work across divisions and to establish environmental targets and activities for the Group. During the year, a Group collaboration also focused on improving the environmental elements of our responsible sourcing process.

All our divisions have their own environmental programmes with a focus on the main environmental impacts related to the divisions' operations, supply chain and products:

- The World Foods & Flavouring and Coffee divisions' programmes cover the whole value chain from sourcing to developing environmentally sound products, concepts and services.
- The Snack Food division concentrates especially on energy efficiency and waste management.
- The Naturally Healthy Food division launched their sustainability programme, "Green Steps", in 2016 with environmental targets for farming, processing and transport.

"Since 2014, Paulig Group has significantly reduced green house gas emissions by improving energy efficiency and by increasing use of renewable energy."

EFFICIENT USAGE OF RESOURCES IN OUR OWN OPERATIONS

We are determined to minimise our environmental impacts. In our own operations – in factories, warehouses and offices – we constantly strive to reduce our energy consumption, greenhouse gas emissions and waste production.

Minimising our climate impact

In order to minimise the climate impact of our own operations, we focus our actions on enhancing energy efficiency and increasing our use of renewable energy.

Energy consumption and intensity are closely monitored at all our production sites, and energy reviews are conducted to identify opportunities for efficiency improvements. For example, the Snack Food division has improved its energy efficiency significantly over the years and is one of the few companies in Belgium that has ISO 50 001 energy management certification. In 2016, an



CASE

Energy efficient snack food

The Snack Food division in Belgium is taking energy efficiency seriously, and has been able to produce more with less energy. From 2012 to 2016 energy intensity has been reduced by 11%. And the work continues. Last year an energy monitoring system was installed to the production to improve the control and optimisation of energy consumption. The division also conducted an energy study of their production lines and utilities, and set up a new energy action plan for the coming years. The target for 2017 is to reduce energy intensity by 3% compared to 2016.

"This reduction probably seems very limited, but I must say that we have already picked all the low-hanging fruit. The energy-saving measures that are easy to execute and that have a big impact on our energy consumption have already been taken. Only the 'crumbs' are left," EHS Manager **Davy Van Ryckeghem** describes.

"In the next few years, we will focus on increasing our usage of renewable energy. We can still make a lot of progress in this area!"

energy monitoring system was installed on the Snack Food production site, which will further improve the control and optimisation of energy consumption.

In addition to improving energy efficiency, we have substantially increased the use of renewable energy and thereby achieved significant reductions in our greenhouse gas emissions. For example, all our sites in Finland, Sweden, Estonia and United Kingdom have switched to using 100% renewable electricity. In addition, since August 2015, our coffee roastery in Helsinki has used biogas instead of natural gas.

In 2016, the Group reduced total greenhouse gas emissions in relation to production volumes by 7% and reduced energy consumption in relation to production by 2% compared to 2015. Compared to 2014, the Coffee and World Foods & Flavouring divisions have reduced their emissions by 57% and 70%, respectively.

Two of our divisions also offset their greenhouse gas emissions. During 2016, World Foods & Flavouring started to carbon-offset its emissions from its own operations through projects that increase the use of renewable energy in India, and Naturally Healthy Food started to offset the emissions from its activities from farm to store, through projects in Mexico and Peru.

CASE

One hundred million packets of coffee roasted with biogas

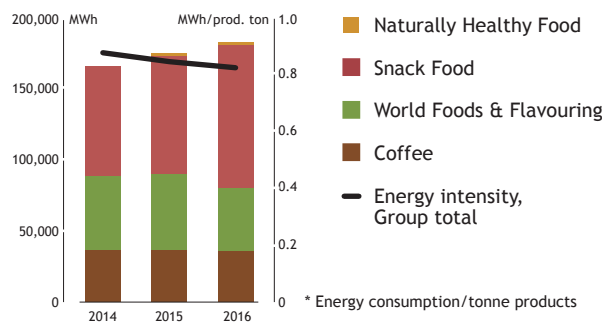
From August 2015 onwards, we have roasted all coffee in the Vuosaari roastery in Helsinki with biogas. The biogas is produced from biodegradable waste and is refined to be similar to natural gas.

We roast over 100 million packets of coffee in Vuosaari annually. By changing natural gas to biogas, the greenhouse gas emissions were cut by 90%, nearly 2700 tonnes annually.

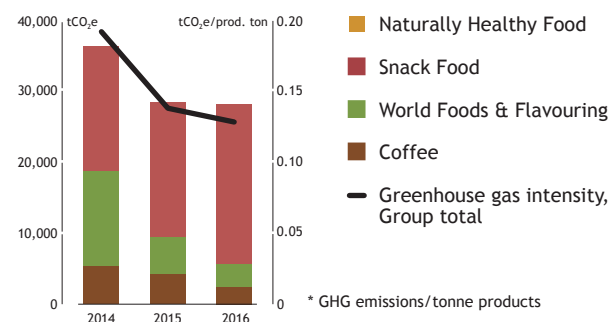
In 2016 we opened Paulig Kulma, a coffee house in the centre of Helsinki. Environmental thinking is at the core of Paulig's approach also in Kulma as coffees are roasted on-site with biogas and the restaurant offers a lot of vegetarian meal options.



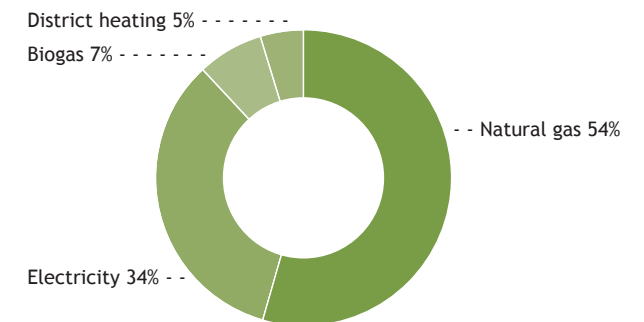
Total energy consumption and intensity*



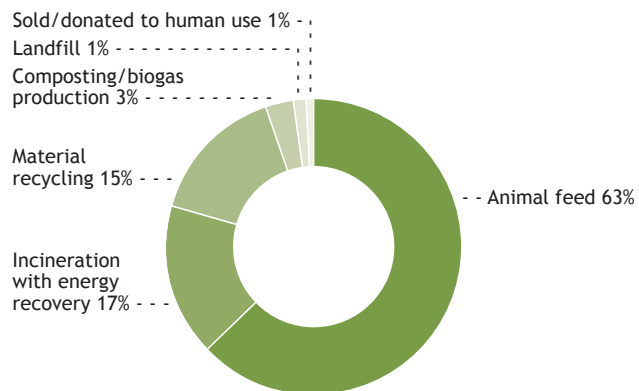
Total greenhouse gas and intensity*



Total energy consumption by source 2016 (181 398 MWh)



Total wastes by disposal method 2016 (10 572 tonne)



“We have made good progress by increasing the recycling rate and by reducing waste creation. As a result, less than 2% of our total waste sites ends up in landfill.”

Environmentally aware business travel

We at Paulig Group have policies for business travel and company cars which encourage employees to make environmentally sound choices. We support the use of low-emission company cars. Our renewed company car policy defines 150 gCO₂/km as the maximum emission level for new cars, and the aim is to meet the EU target of 95 gCO₂/km by 2021. Thus far, the average CO₂ emissions of our company benefit car fleet in Finland dropped from 134 g/km to 119 g/km during 2016. Our employees can also avoid travelling by holding virtual meetings and by working from home.

Reducing wastes and increasing recycling

We work actively to reduce waste in production. A major proportion (63%) of all our waste is food waste and most of it is recycled as animal feed or used for bioenergy production. For example, all food waste from tortilla and taco production is used as animal feed, and coffee waste is sold as raw material for instant coffee

CASE

Reduction of food waste in tortilla production

Our tortilla factory in Landskrona, Sweden has reduced its food waste remarkably over the past few years through a combination of several steps.

“We made an investment and replaced a piece of machinery, since the previous stacker was identified as a major reason for food waste, due to mechanical problems. That has helped us a lot.

We have also simplified the steps in the process and we are now working in a more structured way with improved instructions, better operator training and follow-up on any process variations.

These measures have reduced the amount of food waste significantly, by almost 50% in two years. All our food waste has been delivered to animal feed, our success means thus smaller feast for pigs,” says **Thomas Wiphagen**, LEAN Coordinator in the World Foods & Flavouring division.



production, recycled through composting or used for biogas production.

All divisions have increased the proportion of waste that is recycled and improved the sorting of waste into more fractions. As a result, less than 2% of our total amount of waste ends up in landfill.

For example, our coffee roasteries in Helsinki, Finland and Tver, Russia have made significant improvements in reducing coffee waste through improved production quality and optimisation of production batches. In addition, the Tver roastery has increased the recycling of packaging material by collaboration with local partners. Landskrona tortilla factory in Sweden has also substantially reduced its food waste as described in the previous page.

Water for products and cleaning

The consumption of water in our production varies a lot in divisions, depending on the type of product. Whereas coffee roasting and spice blending do not require large amounts of water, water is an important ingredient in, for example, tortilla and taco production. Water consumption is directly related to production volumes. Water is also used in cleaning, and we cannot risk food safety by minimising the usage of cleaning water. Therefore we focus on using the right cleaning equipment and procedures to ensure efficient use of water. For example, the tortilla factory in Sweden has reduced water consumption through more efficient cleaning processes.



“We participate in several international projects supporting environmentally sound farming.”

PROTECTING THE ENVIRONMENT ALONG THE SUPPLY CHAIN

We strive to minimise the environmental impacts from production of the raw materials, packaging material and products that we source through choosing responsible suppliers and partners, by participating in projects that support environmentally sound farming and management practices, and by sourcing certified or verified raw materials.

The Group's common Sustainable Sourcing process for harmonised supplier management also includes environmental requirements. During 2016, the environmental components in this

process were further developed, for example by integrating water and climate risks in the risk assessment and by more detailed environmental follow-up in the supplier assessments and audits.
>> Read more about our responsible sourcing practices on page 19.

We also participate in several international projects supporting environmentally sound farming. For example, the Coffee division is a founding member in International Coffee Partners and is taking part in the Coffee & Climate initiative that helps coffee farm-

ers to adapt and prepare for changing conditions due to climate change. The World Foods & Flavouring division participates in an industry network to support the development of sustainable water use. >> **Read more about this on page 42.**

Optimising logistics

Optimising logistics has been an important development area for a long time in Paulig Group. The efficiency of goods transportation is improved and environmental impacts are reduced through efficient route planning and the development of transportation methods. We have also developed data collection to improve measurement of the emissions from goods transportation.

Our internal logistics have also been developed. Both the World Foods & Flavouring division in Sweden and the Snack

Food division in Belgium have invested in new distribution centres that will improve logistics efficiency and reduce internal transportation, which in turn will cut carbon emissions significantly.

For example, in Belgium all the Snack Food division's warehouse activities are currently outsourced and goods and materials are stocked in three different places in external warehouses, which requires a lot of internal transport. Today all goods are shuttled by truck. In the new warehouse that is connected with the production site, finished goods and raw materials will be automatically shuttled via conveyor belts. This new way of working will eliminate approximately 25,000 truck journeys per year. The new warehouse is planned to start operation in 2018.

“Investments in new distribution centres have made logistics more efficient and reduced internal transportation, which in turn will cut our carbon emissions significantly.”



CASE

Reducing food waste through innovative packaging solutions

The World Foods & Flavouring division in Sweden is participating in a “Packaging systems to reduce food waste” project which is aimed to increase understanding of how packaging can help to reduce food waste.

“We contribute with one of the cases in the project, Taco sauce in a jar, as we know that the consumer usually has some salsa left over after a taco meal,” says Peter Blomgren, Expert in Strategic R&D in the World Foods & Flavouring division.

In the project, a survey was conducted to study food wastes all the way from production to the end consumer. The survey showed that the biggest source of taco sauce waste is in consumers' homes, as consumers rarely use up a whole jar for their meal and throw the rest away.

“The project has given us new insights into how our consumers use taco sauce and how they think about food waste. We have also been able to test two new concept ideas for packaging and we will use these insights in our continued product development,” Peter describes.

PRODUCTS AND SERVICES WITH THE ENVIRONMENT IN MIND

In our products and services we can reduce environmental impacts in consumption by, for example, improving packaging and supporting consumers in reducing waste. We offer organic products and vegetarian recipes and meal ingredients to inspire them to eat less meat to reduce the climate impacts of their meals.

Sustainable design of packaging

For food products, proper packaging is important from both an environmental and a food quality and safety point of view. To reduce our environmental impacts due to packaging, we consider both how the packaging itself affects the environment and how it can help to eliminate food waste.

We are constantly striving to make our packaging as resource-efficient as possible and reduce the amount of material used without compromising on the function. We focus on optimising the packaging weight and carefully choose the packaging materials to ensure recyclability. For example, we have reduced the thickness of the coffee packaging laminates by 10% over the last five years. We are also investigating new packaging solutions to reduce food waste. For example, the World Foods & Flavouring division in Sweden has participated in a “*Packaging systems to reduce food waste*” project in order to gain new insights for product development. >> [Read more in page 29.](#)

“Although all Risenta products are vegetarian and have a relatively low impact on the climate, the Naturally Healthy Food division decided to offset its climate impact throughout the value chain.”



CASE

Climate-compensated Risenta products

Risenta is one of our leading brands for consumers who want to eat natural and healthy food. Although all Risenta products are vegetarian and have a relatively low impact on the climate, in 2016 the Naturally Healthy Food division decided to offset its climate impact throughout the value chain.

A study showed that the Risenta factory in Sollentuna, Sweden accounted for only a tiny part of the total climate impact of the products. Therefore it was decided that all carbon emissions will be offset, including those from the cultivation of raw materials and from all transportation and factory processes, all the way to the stores. The carbon offsetting is carried out in Mexico and Peru through planting trees and forest conservation, as several of Risenta's ingredients are cultivated in South America.

“By climate-compensating for all our activities, we feel that we are taking responsibility. We also get a great incentive to continuously reduce our carbon footprint and become more sustainable,” says Monica Demorior, Manager Sustainability & Quality at Risenta.



Supporting consumers' health and wellbeing

We want everything we do to taste great – and also leave a good taste behind. As a food and beverage company we have a special responsibility towards those who use our products. This includes ensuring product safety as well as taking sustainability into consideration when developing our products and services.



HEALTH AND WELLBEING IN FOCUS

Today, consumers have many expectations regarding the products they use. Among the most topical issues are their own health and wellbeing, the origin and safety of the products, and concern about ethical and environmental aspects. These are also significant to us and we pay a lot of attention to them. Wellbeing can be defined as a balance of body and mind. With this in mind we develop our products and services. We continuously improve our products, use high-quality ingredients and engage in an open dialogue with our consumers.

“Delicious and healthy food is one of the fastest growing consumer trends.”

CASE

Consumers' perception of our brands' sustainability

Sustainability topics have become increasingly important for consumers. Discovering consumers' thoughts and attitudes and understanding their motivations are central to our future success. We annually follow the Sustainable Brand Index survey of our biggest markets, Finland and Sweden.

In 2016, the survey covered 735 brands and 30 000 consumers were interviewed. Of food industry companies in Finland, Paulig ranked seventh, in Sweden Santa Maria had a rank of 29 and Risenta 18.

>> Read more at: www.sb-insight.com/ourreports/

Taste and health go hand in hand

Delicious and healthy food is one of the fastest-growing consumer trends. Consumers want to use products that are tasty, good for their health and contain few or no additives and preservatives. In innovating new products and recipes we consider health aspects early in the product development processes. This also applies to existing products. For example, we have reduced the amount of sugar and salt in many products, and we have replaced palm oil with other oils, as rapeseed and sunflower oils. In developing our products and services, we follow national and EU nutritional recommendations and regulations.

“Healthy and environmentally good choices often go hand in hand.”

Vegetarian products and recipes to reduce climate impacts

Healthy and environmentally good choices often go hand in hand. To support consumers' sustainable lifestyles we are providing them with recipes and easy-to-use products for tasty vegetarian meals. In 2016, we launched Risenta meal mixes and Pulled Oats which are an easy way for consumers to replace meat in dishes. In addition to that, we provide ideas and recipes for vegetarian food on our brands' websites and through social media.

>> www.goldandgreenfoods.com

>> www.santamariaworld.com

An increased number of certified products

Using products with certification, such as Organic, Fair Trade and UTZ items, is important for many people, due to concern about their own health as well as about the environmental and social conditions in farming communities. Paulig Group has an exten-

CASE

Less salt and sugar!

In 2015, the World Foods & Flavouring division decided to improve the nutritional content of Santa Maria products without compromising taste. Since then, the amounts of salt, sugar, additives and preservatives have been considerably reduced in many products. Palm oil, which contains relatively high levels of saturated fat, has been replaced with a rapeseed and/or sunflower oil.

“Changes in the recipes demand a lot of development and testing to ensure the great taste consumers are used to. With Santa Maria Taco spice mix we have succeeded. Due to the renewed product recipe there is now 30 per cent less salt and 52 per cent less sugar in the final dish,”* says Anders Jonebring, Head of R&D.

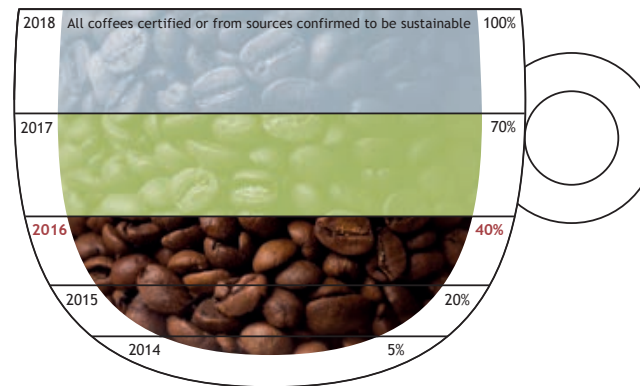
*spice mix and minced meat together



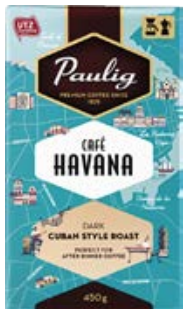
sive range of certified products among both our coffee, spice and seed products and our various food concepts. Examples include Santa Maria's organic spices, tortillas, tacos and coconut milk, Risenta's granola and bean pasta products, as well as several Paulig coffees.

Our plan is to further extend our certified offering. For example, in 2016 Santa Maria launched seven new organic products and the aim is that 10 per cent of Santa Maria brand net sales will come from our organic range by 2020. Since 2014, we have increased the proportion of green coffee purchased from sources confirmed to be sustainable and we are aiming for 100 per cent by 2018. To do this we concentrate purchases to certified coffees and to sustainable development projects Paulig supports in the countries of origin. At the end of 2016, 40 per cent of the coffee sourced was certified. The goal for 2017 is to rise the share to 70 per cent.

Sustainable coffee programme 2014–2018



All green coffee used in Paulig coffees will be sourced from sustainable sources by the end of 2018.



"We are growing our certified product range."



Farmer Juan Vargas from Costa Rica says that responsible farming methods have a positive impact on the productivity of the farm and coffee quality.

CASE

Pulled Oats – something totally new for vegetarian dishes

Pulled Oats is a new kind of plant protein food that utilizes oats, faba beans and peas as protein sources. It is able to challenge meat products in terms of nutritional value, texture, its feel in the mouth, and flavour. It contains 30 per cent good quality protein and it has a superior amino acid composition and high fibre content.

"Pulled Oats is a great source of vegetarian protein. You can quickly and easily create many kind of dishes with it. Using it as a protein source is also good for the environment," says Managing Director Maija Itkonen from Gold&Green Foods.

Pulled Oats is an innovation of Finnish Gold&Green Foods. Paulig Group acquired 51 per cent of the company's shares in autumn 2016.



What are certified products?

Certified products and raw materials, such as coffee, spices or oils, have been produced in accordance with sustainability criteria set by certification schemes. Adherence to the requirements is confirmed by an independent third party with regular audits.

Within our assortment, Fair Trade, UTZ Certified and Organic certification schemes are used. Farms within the Rainforest Alliance certification, or farms involved in sustainable development projects which we support, are also possible suppliers for us in the future. The shared goal of certification schemes is to further sustainability in the supply chain.

"Palm oil contains relatively high levels of saturated fats. This is why we have chosen to replace palm oil with sunflower and rapeseed oils in many of our products."

Only certified palm oil accepted

Palm oil is the most widely consumed vegetable oil on the planet. It is an efficient source of vegetable oil but also a threat to some of the planet's most important and sensitive habitats.

Within Paulig Group, nutritional viewpoints, such as the quality of fat, are considered alongside sustainability aspects. Palm oil contains relatively high levels of saturated fats. This is why we have chosen to replace palm oil with sunflower and/or rapeseed oils in many of our products.

Today, only sunflower and/or rapeseed oils are used in Santa Maria products and in over half of Poco Loco products. All the palm oil we use is 100 per cent certified by RSPO.

The Roundtable on Sustainable Palm Oil, RSPO, is the world's leading certification system for palm oil, founded by WWF, companies and producer organizations in 2004. Paulig Group has been a member of the RSPO since 2014. Membership started with Santa Maria in 2005.

NO COMPROMISES ON FOOD SAFETY AND QUALITY

As a food company, food safety and quality are top priorities for us and the essential building blocks of customer trust. Our quality work stretches from raw material farming and sourcing all the way to the end consumer. We work proactively through continual risk assessments, which allow us to ensure that our raw materials and products meet our high quality requirements.

An important part of our quality work is sampling and analyzing incoming raw materials. We have certified quality and food safety management systems in place on nearly all production sites to ensure high product quality throughout the process, all the way to the consumer. In addition, our sourcing and quality

experts meet with our suppliers regularly to investigate their ways of managing quality and food safety. >> **Read more about our certificates in page 48.**

Traceability is central for food safety. In production, the batch numbers of raw materials are registered, enabling tracing of the raw material to the finished products and vice versa. This enables rapid blocking of products if any problem is detected, and ensures full transparency throughout the delivery.

Targeting to reduce complaints

We follow up product safety and quality carefully by various measures, such as consumer complaints, recalls and withdrawals. Our

CA
SE

Consumers' safety first — organic goji berries

Goji berries are popular among health-conscious consumers, but it has proven to be difficult to get hold of conventionally grown goji berries without residues of pesticides. For this reason, Risenta is now offering only organic goji berries.

"Our own quality tests showed that non-organic goji berries too often contained residues of pesticides. To ensure our products are safe for consumers, we have switched to use only organic gojis. We have, of course, tested the organic berries that we use and found them to correspond to the quality our consumers expect," says Niklas Truedsson, Head of Naturally Healthy Food division.



Katja Wolff and Yvonne Nyström in World Foods & Flavouring laboratory in Mölndal preparing a batch of incoming cinnamon for analysis.





overall target for our quality work is to reduce the number of complaints year by year. All our divisions strive towards this. However, the ways of measuring them vary between divisions, partly due to different products and business models. Therefore, the figures are not comparable. Our aim is to harmonize the measurement methods in the Group, and this work has started.

We value consumer feedback

Consumers have many kind of questions and ideas related to the use and content of our products and our company. For us, every consumer and customer contact is important and all of them are processed and answered by the divisions' consumer and customer services. During 2016, we received thousands of contacts. The majority of them were made through social media channels, and the usage of these channels is increasing.

The contacts were mainly related to quality, guidance requests, product development ideas and other feedback. Most complaints concerned the taste of the product and matters related to packaging. Regarding complaints, a product sample from consumer or customer helps further investigation in our own laboratories or production. After the investigation we always get back to the consumer.

“We have actively developed communication and dialogue with consumers via social media channels and websites.”

Consumer Service Manager
Kaisa Junikka and her team
take care of nearly 5 000
contacts yearly in Finland.

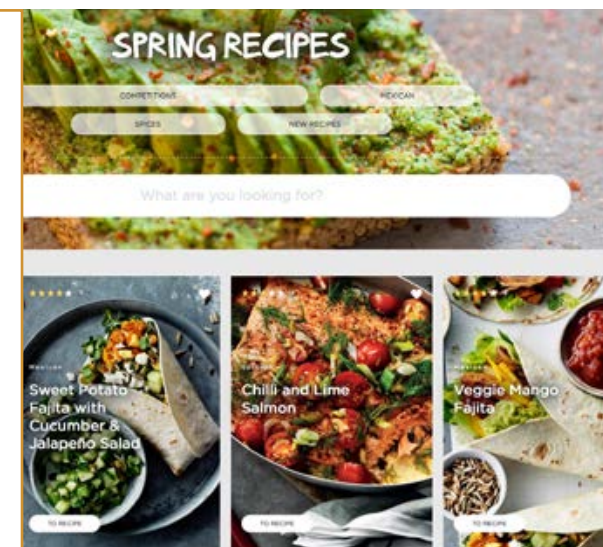
CASE

Engaging and inspiring

Today, consumers expect easily available information, current topics to be addressed, and a quick response from companies they contact. We have actively developed our communication and dialogue with consumers, especially through social media channels and via our brands' websites.

Santa Maria's renewed website in Swedish has proven to be a popular channel for guidance and inspiration. On the website, consumers can browse delicious food recipes, find answers to frequently asked questions and easily contact customer services.

>> www.santamariaworld.com/se/





*Acting as a
constructive
part of
society*

We want to contribute positively to the societies we operate in, and we have good examples of having done so throughout our company's history. We aim to seize opportunities for improvement along our value chain where possible. We appreciate networks and collaboration, since together we are stronger and can find answers to sustainability challenges more successfully than any of us could alone.



LISTENING TO AND COLLABORATING

Relationships with the various stakeholders around us, and understanding their views and expectations, form the basis of Paulig Group's sustainability work. We believe that, by collaborating with our stakeholders and engaging them in dialogue, we can find solutions benefiting people and societies on a wider scale as well as improving the future prospects of our business.

Based on our daily cooperation, we find consumers, customers, employees, suppliers and owners to be the central stakeholders for us. Other important groups we keep in touch with are the local communities we operate in, regulatory bodies, decision makers and opinion formers.

Social media is an important dialogue platform for us, especially with consumers, customers and NGOs. We also get information and feedback from various surveys and studies concerning, for example, consumer views on our sustainability, customer satisfaction and employee engagement.

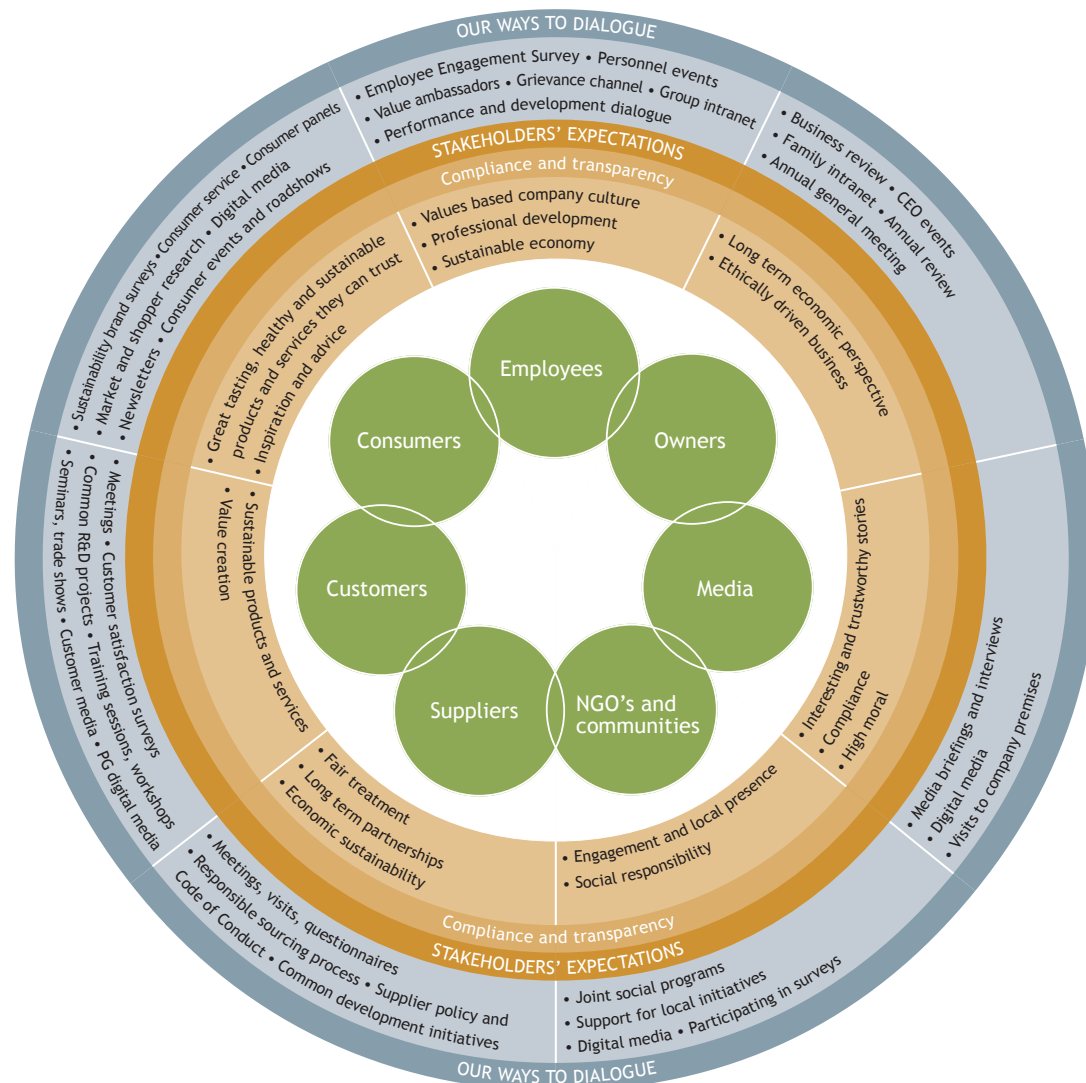
“We are all part of a collaborative effort that applies not only to ourselves and our company but also to the whole of modern society with all its many different dimensions.”

Eduard Paulig 1948

Most of the feedback we receive from consumers is related to our products and services, such as the origin of raw materials and the social conditions in their production. The health, safety and environmental aspects of the products are also of importance to them. Our customers expect transparency and a systematic way of managing and ensuring quality, food safety and environmentally sound practices.

We are also members of various international and national initiatives, both industrial and other associations. >> See page 49.

Stakeholders expectations and our ways to engage with them



CA SE

Supporting the new children's hospital in Finland

In Finland, there is a need for a new national children's hospital, as the current one built in the 1940s does not meet today's needs. Thanks to private financing, construction of the new hospital is well under way. The top unit for specialised paediatric care, which will serve its young customers nationwide, will be ready at the end of 2017.

"Children and young people are the main beneficiaries of Paulig Group's social projects. The wish to participate in the New Children's Hospital 2017 project came from both the personnel and our owners," says Paulig Group's CEO Jaana Tuominen.

The fundraising for the New Children's Hospital 2017 project was well received and the amount donated rose to a total of EUR 38 million. Of that, EUR 1,5 million was donated by Paulig Group.



Our focus is on topics that are important for the local society such as children's rights and sustainable farming.

SUPPORT FOR COMMUNITIES ALONG THE VALUE CHAIN

We utilise raw materials, resources, flavours and inspiration from cultures and societies around the world. Many of these societies are facing social and environmental challenges that are future threats both to them and to our business. We want to be part of the solution and are therefore investing long-term in many projects. Our focus is on topics that are important locally and on primary raw material production, such as children's rights and sustainable farming.

Fifteen years with International Coffee Partners

The Coffee division has been an active partner in International Coffee Partners (ICP) since 2001. ICP implements projects that improve the livelihood and living conditions of smallholder coffee farmers and their families. So far, a total of 23 projects have been implemented in 12 countries and about 66 000 farmers have been involved in them. The Coffee division also supports the

Coffee & Climate project, to enhance and develop sustainable coffee farming to enable farmers' adaptation to climate change.

Increasing collaboration with Save the Children

Since 2004, the World Foods & Flavouring division has partnered with Save the Children, an NGO promoting children's right to education and combating child labour. Recently, the focus of our cooperation has been on research concerning spice farming and children's rights in India. In 2016 the research was completed and planning of the next projects is already in the final stages.

The division is also a member of a network of Swedish food and beverage companies that develops more responsible use of water, both in their own production process and in supply chains.

"Music for Life" – philanthropy in Belgium

In Belgium, the Snack Food division supports one of the main Belgian philanthropic events, "Music for Life". Both our own employees and many local organisations participated by selling custom-made bags of chips produced by Snack Food. They succeeded in gathering over 39 000 euros to be donated to different charities.



CA
SE

Having a positive effect on children's rights

The World Foods & Flavouring division has cooperated with Save the Children since 2004 to defend children's rights. The latest collaboration was the five-year "Rewrite the Future" programme in Medellin. Medellin, Colombia's second largest city, has been known for its gang conflicts, violence and crime for a long time. For children, this has meant a dangerous journey to school or suffering from poverty and violence at home.

In 2013, around 18 000 children and young people in Medellin were at risk of being forcibly recruited by armed groups. As a result of the "Rewrite the Future" project, children got to know their rights and learned how to resolve conflicts without violence, how to protect themselves and how to express their feelings and opinions. Parents became aware of the importance of education, learned to support their children and learned how to prevent violence and abuse at home.



CASE

Meeting the global water challenge

More than 70 per cent of all fresh water used in the world goes into food production.

Water is one of the challenges that have been prioritised within the World Foods & Flavouring division's environmental strategy. Since 2015, the division has been a member of a network of Swedish food and beverage companies that want to use water more responsibly, both in their own production processes and in their supply chains. The initiative is led by the Stockholm International Water Institute (SIWI).

The aim of the collaboration is to identify the best ways of managing water in cultivation and processing in countries facing increasing water challenges. The first results of this initiative have been published as a website to help the food industry reduce water risks. >> waterjourney.swedishwaterhouse.se

CASE

Social supermarket benefits people and the environment

The World Foods & Flavouring division donates Santa Maria products that are getting close to their 'best before' date to a Social Supermarket initiative Matmissionen (Food Mission) in Sweden. The initiative is run by Stockholm City Mission and retail chain Axfood.

The idea of this initiative is both to avoid food waste and to enable people living in financial need to shop food at greatly reduced prices.

CASE

Greater integration and diversity in society within Mitt Liv

The Group's World Foods & Flavouring division in Sweden has, since 2008, been a partner of Mitt Liv (My Life), a social company which aims to open doors for people with foreign backgrounds through mentoring programmes.

In 2016, Indian-born **Pooja Shenoy** began a mentoring partnership with **Maria Åberg**. After her studies, Pooja wanted to start working in the food industry.

"I knew Mitt Liv co-operates with Santa Maria. The programme gave me many new perspectives and led me to a job in another company."

"For me this mentorship programme has been an eye-opener when it comes to diversity in the workplace. Diversity gives a company strength and knowledge," says Regulatory Expert and mentor **Maria Åberg** from the World Foods & Flavouring division.



CASE

The Finland we want in 2050

Paulig Group's Coffee division participates in the "Finnish Society's Commitment to Sustainability" initiative. Through this initiative, the Finnish government wants to encourage companies and organisations to take concrete action to promote sustainable development.

The Coffee division's commitments are:

- To favour the use of local renewable energy and job creation in Finland.
- To support coffee farmers' adaptation to the challenges of climate change.



"Via these commitments, we want to secure enjoyable coffee moments for all coffee lovers for a long time to come. Achieving sustainable development requires decisive action on the international, national and local levels. It is great that Finland has taken a leadership role in this work internationally by creating a model that can bring concrete results," says Elisa Markula, Managing Director of the Coffee division.



Rising temperatures and drought are challenging coffee farmers in Honduras. Coffee farmer Maurizio Gavarrete is experimenting Coffee & Climate tools in his demo plot with promising results.

CASE

Coffee & Climate promotes climate-smart agriculture

Coffee is a valuable natural commodity and its availability is not a given. Climate change is a serious problem for the demanding and sensitive coffee tree, which does not tolerate the extreme conditions caused by rising temperatures. High rainfall, drought, pests and increasing incidence of plant diseases all affect coffee crops and the livelihoods of more than 25 million coffee farmers.

Together, coffee industry companies have started to investigate ways in which they can help farmers to adapt to and prepare for changing conditions. Paulig Group's Coffee division is taking part in the international Coffee & Climate initiative, which develops practical tools for coffee farmers by combining research information with good agricultural practices. This initiative has brought farmers together, demonstrated various solutions on test farms and distributed practical information.

In addition to a better crop, increased yield and higher income, the adaptation methods also have a positive influence on the environment. The farmers have learned to save water, prevent soil erosion and reduce pesticide usage, among other skills. >> www.coffeeandclimate.org



SUSTAINABILITY KEY FIGURES 2016

Fostering social responsibility

Trainings for professional growth, number of participants

Training	2015	2016
Leadership programme for managers	25	16
Sales and marketing	160	357
Paulig Sourcing Academy	40	38
Auditor training	15	7

Occupational safety

	2015	2016
Number of injuries	43	18
Injury frequency, LTIF* (%)	18.1	6.7
Number of near miss and risk observations	960	1 366

* LTIF (Lost day injury frequency)
= number of work injuries / one million worked hours

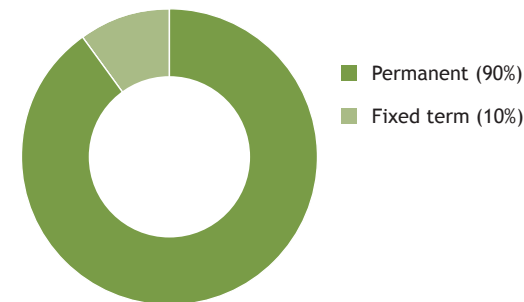
Sustainable supply chain

	2015	2016
Share of direct suppliers signed the Code of Conduct	98%*	90%
High risk suppliers, conducted self-assessment	115	25

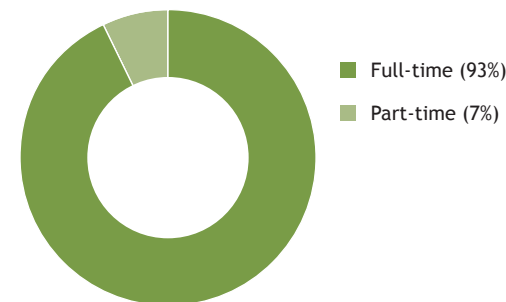
* Includes only high risk suppliers

Employment

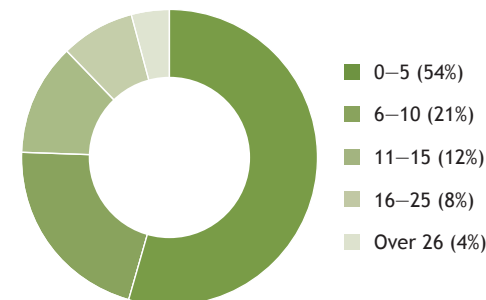
Employment contract



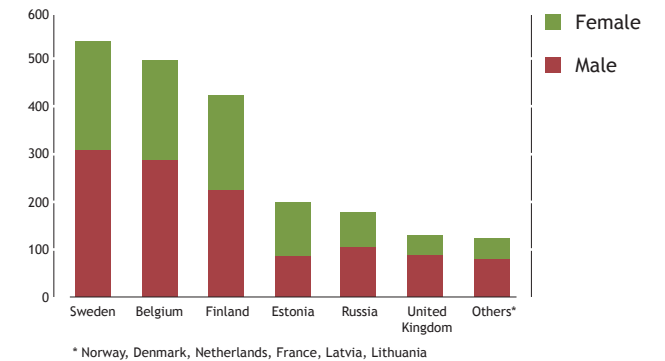
Employment type



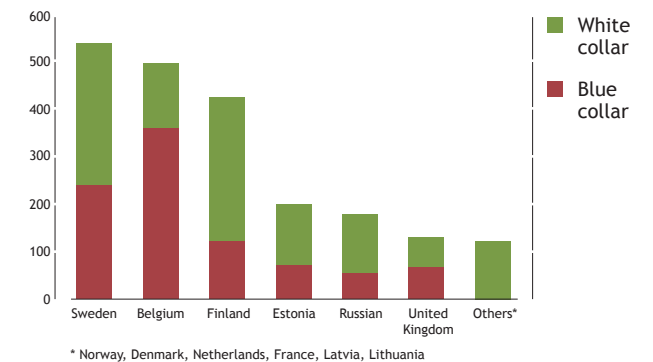
Service years



Employees per country



Personnel groups per country



Caring for the environment

Total energy consumption by source (MWh)

	2014	2015	2016
Electricity	55 498	58 160	60 955
Natural gas	103 296	103 256	98 844
Bio gas	0	6 094	13 190
District heating	6 043	6 066	8 408
Group total	164 837	173 576	181 398
Energy intensity MWh/tonne product	0.87	0.84	0.82

Total energy consumption by division (MWh)

	2014	2015	2016
Coffee	36 798	36 317	35 064
World Foods & Flavouring	51 373	52 997	44 929
Snack Food	76 666	83 565	100 410
Naturally Healthy Food	-	696	995
Group total	164 837	173 576	181 398

Share of renewable energy (%)

	2014	2015	2016
Coffee	27%	45%	67%
World Foods & Flavouring	23%	44%	64%
Snack Food	4%	4%	4%
Naturally Healthy Food	-	100%	100%
Group average	15%	26%	32%

Total GHG emissions (tCO₂e)

	2014	2015	2016
Coffee	5 409	4 202	2 418
World Foods & Flavouring	13 348	5 214	3 366
Snack Food	17 353	18 758	22 240
Naturally Healthy Food	-	3	6
Group total	36 110	28 177	28 029
GHG intensity (tCO₂e/prod. tonne), Group total	0.19	0.14	0.13

Wastes

Total waste by disposal method (t)

	2015	2016
Sold/donated to human use	103	81
Animal feed	6 422	6 648
Composting/biogas production	522	315
Material recycling	1 325	1 602
Incineration with energy recovery	2 031	1 771
Landfill	184	153
Unspecified	1.7	2.0
Total	10 589	10 572

Production volume (t)

	2014	2015	2016
Coffee	46 854	48 997	49 211
World Foods & Flavouring	55 969	55 171	51 400
Snack Food	87 438	96 275	114 575
Naturally Healthy Food	-	6 300	6 144
Group total	190 262	206 742	221 331

Water use (m³)

	2015	2016
Coffee	12 340	13 705
World Foods & Flavouring	45 399	38 686
Snack Food	56 608	68 521
Naturally Healthy Food	162	480
Group total	114 509	121 39



GRI CONTENT TABLE

		Page	Comment
Strategy and Analysis			
1	Statement from the CEO	3	
Organizational Profile			
3–9	Paulig Group: size, business and ownership	5–6	
10–11	Employees	6; 44	
12	Paulig Group's supply chain	18; 22	
13	Significant changes regarding Paulig Group's size and structure	5	
14	Precautionary approach or principle	11	
15–16	External principles and initiatives and membership of associations	50	
Identified Material Aspects and Boundary			
17	Reporting boundary	2	
18–23	Defining report content; material aspects	9	
Stakeholder Engagement			
24–27	Stakeholders and engagement	39–40	
Report Profile			
28–33	About this report and contact information	2	
Governance			
34	Paulig Group governance structure		Reported in Paulig Group Annual Report 2016
Ethics and Integrity			
56	Values and codes of ethics	7; 10–11	
Sustainability Management			
DMA	Sustainability management	10	
DMA	Managing environmental impacts	24–25	
Economic Responsibility			
EC1	Direct economic value generated and distributed	7	
Environment			
EN3	Energy consumption	26; 45	
EN5	Energy intensity	26; 45	
EN8	Water consumption	45	
EN15	Direct GHG emissions (scope 1)	45	
EN16	Indirect greenhouse gas emissions (scope 2)	45	
EN18	Greenhouse gas emissions intensity	26; 45	



		Page	Comment
EN19	Reduction of greenhouse gas emissions	26	
EN23	Waste by type and disposal method	27–28	
EN27	Mitigation of environmental impacts of products and services	25–30	
EN30	Environmental impacts of transporting products and materials	29	
EN32	Suppliers screened using environmental criteria	20–21	
EN33	Significant environmental impacts in the supply chain and actions taken	28	
Labour Practices and Decent Work			
LA6	Injuries and, lost days absenteeism	17; 44	
LA9	Training	15	
LA10	Programs for skills management and lifelong learning	15	
LA11	Employees receiving regular performance and career development reviews	15–16	
LA14	Suppliers screened using labor practices criteria	20–21	
LA16	Grievances about labor practices resolved	20	
Human Rights			
HR2	Employee training on human rights policies and procedures	21	
HR4	Operations and suppliers identified with risk of freedom of association and collective bargaining	19	
HR5	Operations and suppliers identified with risk of child labor	19	
HR6	Operations and suppliers identified with risk of forced or compulsory labor	19	
HR10	Suppliers screened using human rights criteria	20–21	
Society			
SO1	Local community engagement, impact assessments and development programs	41–43	
SO6	Financial and in-kind political contributions		Paulig Group does not donate to political parties, church or authorities
Product responsibility			
PR1	Product and service categories for which health and safety impacts are assessed	32; 36	
PR5	Surveys measuring customer satisfaction	37	
PR6	Sale of banned or disputed products	36	Paulig Group uses palm oil in some of its products
Food Processing Sector Specific Disclosures			
FP1	Purchases from suppliers compliant with company's sourcing policy	19	
FP2	Purchases verified with responsible production standards	33–35	
FP5	Production manufactured in sites certified by food safety management system standards	49	
FP6	Products that are lowered in saturated fat, trans fats, sodium and added sugars	33	



MANAGEMENT SYSTEMS IN THE PAULIG GROUP

DIVISION and SITES	QUALITY AND PRODUCT SAFETY			ENVIRONMENT	ENERGY	HEALTH & SAFETY
	FSSC 22 000	BRC	Customer specific	ISO 14 001	ISO 50 001	OHSAS 18 001

COFFEE

Helsinki, FIN	x		x	x		x
Tver, RUS	x		x			x
Porvoo, FIN						

WORLD FOODS & FLAVOURING

Spices Mölndal, SE		x		x		
Spices Saue, EE		x		x		
Taco Mölndal, SE 1)		x				
Tortilla Landskrona, SE		x		x		
Kungsbacka warehouse, SE		x		x		
Tortilla Milton Keynes, UK		x		x		

SNACK FOOD

Roeselare, BEL		x*	x		x	
----------------	--	----	---	--	---	--

NATURALLY HEALTHY FOOD

Sollentuna, SE	x			x		
----------------	---	--	--	---	--	--

¹⁾ Factory closed in the beginning of 2017

* In addition, IFS and AIB certificates

- FSSC 22 000 = Food Safety Management Standard
- BRC = Food Safety Standard
- ISO 14 001 = Environmental Management Standard
- ISO 50 001 = Energy Management Standard
- OHSAS 18 001 = Occupational Health and Safety Standard



OUR MEMBERSHIPS IN ORGANISATIONS

THE FINNISH FOOD AND DRINK INDUSTRIES' FEDERATION, ETL

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

THE SWEDISH FOOD FEDERATION (LIVSMEDELSFÖRETAGEN)

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

THE BELGIAN FOOD AND DRINK FEDERATION, FEVIA

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

FINNISH BUSINESS & SOCIETY (FIBS ry)

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

KAHVI- JA PAAHTIMOYHDISTYS RY. (COFFEE AND ROASTERY ASSOCIATION)

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

THE SWEDISH FLAVOUR & SPICE ASSOCIATION

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

SP FOOD & BIOSCIENCE

A network regarding health, environmental and consumer liaison. www.sp.se

INTERNATIONAL COLLABORATION

ROUNDTABLE FOR SUSTAINABLE PALM OIL (RSPO)

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

INTERNATIONAL COFFEE PARTNERS GMBH (ICP)

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

COFFEE AND CLIMATE (C&C)

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

INSTITUTE FOR SCIENTIFIC INFORMATION ON COFFEE (ISIC)

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

EUROPEAN COFFEE FEDERATION (ECF)

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

EUROPEAN SPICE ASSOCIATION (ESA)

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

GLOBAL COFFEE PLATFORM

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

THE REGISTERED ASSOCIATION FINNISH-RUSSIAN CHAMBER OF COMMERCE (SVKK)

SVKK is a non-profit organisation which has both Finnish and Russian members. SVKK helps the internationalisation of Finnish companies in Russia, and furthers the opportunities and motivation of Russian companies to find Finnish partners and business opportunities. www.svkk.fi



Paulig Group
Satamakaari 20, PO box 15
FI-00981 Helsinki, Finland
Tel +358 9 319 81
Fax +358 9 753 0195
www.pauligroup.com