



From bean to cup

Corporate responsibility report 2015

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Leader

On the path to sustainable coffee

We at Paulig feel that our responsibility for good coffee encompasses the entire journey that coffee makes, from the other side of the world to the roastery, and all the way to the consumer. From bean to cup. For this reason, we have focused in particular on the responsibility of sourcing, personnel well-being, environmental matters in production and product safety. Consumer interest in the origin of food products and their responsible production has increased constantly, and we want to openly and actively respond to this demand.

An important tool in our responsibility work is the Sustainable Coffee programme, spanning into the year 2018, through which we will advance the responsibility of the raw materials and packaging of our products. We have decided that by the end of 2018 all Paulig coffee will be derived from sources which have been proven to be responsible, and we are on schedule to meet this goal. By the end of 2015, approximately 20% of coffee sourced by Paulig was certified, and the goal for the end of 2016 is 40%. It is also important for us to know where our sourced coffee comes from, and to know our own coffee suppliers well. This is why we visit farms as much as possible. These visits are documented on our website, and through social media, in order for consumers to be able to follow our work better than before.

ENJOYABLE COFFEE MOMENTS, EVEN DURING THE 2080s

Coffee is a valuable natural commodity, and its availability it is not a given. Climate change is a serious problem for the demanding and sensitive coffee tree, which does not like the extreme



The managing director Elisa Markula on a farm visit.

conditions caused by rising temperatures. The most demanding in regards of growing conditions is the Arabica coffee, the soft taste of which we Finns have a particular affinity for.

High rainfall, drought, increasing plant diseases and pests affect coffee crops, and the livelihoods of more than 25 million coffee farmers. Together, coffee industry companies have started to investigate ways in which we can help farmers to adapt to and prepare for changing conditions. We are a part of the international [Coffee and Climate](#) project, where practical tools are being developed by combining research information with good agricultural practices. The Coffee & Climate project has brought farmers together, demonstrated various solutions at test farms, and has distributed practical information. The initiative was also presented in the Paris climate summit, as a good example of a shared project of the coffee industry.

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



We want Paulig to be a place where it's nice to come to work.

Approximately 25 million coffee growers receive their income through growing coffee. This is why the coffee trade is very significant for many countries, both for the economy and the society. The demand for coffee is growing around the world, especially in the highly populated countries in Asia. Simply put, there is less and less coffee on offer and in the long run the price of coffee is likely to increase. Hopefully, this will also attract young people into coffee farming, since livelihood uncertainty is a challenge in many of the countries of origin, as is the aging of farmers as young people move to the cities.

PAULIG - A NICE AND SAFE PLACE TO WORK

We want Paulig to be a nice place to work. Fortunately, we have achieved this, as the results of our employee engagement survey improved again last year, and indicated that Paulig employees are committed and motivated to work at the company. We have invested especially in the development of supervisory work and communication, and this work will certainly continue to bear fruit in the future. Unfortunately, we have experienced setbacks in occupational safety. Even though there were no serious workplace accidents, the accident trend has taken a worrying turn during the past two years. This is why we must act immediately to ensure that Paulig is a safe workplace, where the well-being and safety of Paulig employees

is ensured. Occupational safety and safe work habits are actually the focus of the "I Care" programme, which includes two areas of emphasis: occupational safety and working capacity leadership. Together, we will further this project and ensure that no compromises are made when it comes to safety.

THE CONTINUOUS REDUCTION OF ENVIRONMENTAL IMPACTS

As a part of our Society's Commitment to Sustainable Development, made in 2015, we significantly reduced the carbon footprint of our production by switching to biogas in the August of 2015. Currently we produce each year about 100 million packs of coffee at our Vuosaari roastery, in Helsinki, with Finnish, renewable biogas.

We are also constantly looking for new environmentally friendly alternatives for the packaging of coffee. For the results of our developmental work to really be responsible, the introduction of new materials must not increase the usage of some other material, or compromise the package durability.

In 2014, Paulig developed new coffee packaging, which is aluminium free. During 2015, however, we discovered that getting rid of aluminium considerably increased the amount of replacement plastic material required, which also added to costs. The attainable results were in conflict with Paulig's primary responsibility goal, which is the reduction of packaging materials. For this reason, the development of packaging is still ongoing, and we are re-evaluating how to get rid of aluminium in packaging.

We have been on the path to more sustainable coffee for a long time now. Although there are some detours in the path, the destination – good coffee for all – is still clear in our minds.

Elisa Markula

Managing Director

Coffee division, the Paulig Group

Introduction



The Paulig Group is known for its high-quality products.

Paulig as a company

The Paulig Group is a family-owned, international food industry business which is known for its high-quality products, such as the Paulig coffee brands and the Santa Maria spices. The Group's key sectors are Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food. The Group has nearly 2,000 employees in 13 different countries, and its net sales in 2015 were EUR 905 million. The company is headquartered in Helsinki.

This report concentrates on the operations of the division responsible for the Paulig Group's Coffee business (later Paulig). Paulig is a family-owned company founded in 1876, which engages in coffee production and the sale of coffee and chocolate drink products. The company has also roasted its own coffee since 1904, and Finland's largest coffee business now also operates in Russia, the Baltic region, Sweden and Norway.

The net sales of Paulig's Coffee division in 2015 were EUR 346 million and it had 596 employees. The Coffee division is the Paulig Group's largest business area, producing 38% of the company's net sales.

Paulig has three coffee roasteries. The coffee sold in Finland and the Baltic countries is prepared at the Vuosaari roastery, opened in Helsinki in 2009. Coffee for the Russian and nearby markets is roasted at the Tver roastery that was opened in 2011 in Russia. In 2014, Paulig acquired the business operations of the Robert Paulig small roastery, located in Porvoo.

During recent years, Paulig has expanded its business offering to coffee markets outside of consumers' homes served by the retail market. Paulig Professional offers its products and services to hotels, cafés, restaurants, catering companies and workplaces in Finland, Estonia, Latvia, Lithuania, Sweden and Norway.

A lifestyle photograph featuring a woman with blonde hair drinking from a glass jar of cold brew coffee using a reusable straw. The jar is labeled 'COLD BREW COFFEE'. On the rustic wooden table are a croissant on a white plate, a small jar of brown powder, and a glass pitcher of coffee on a colorful patterned napkin. A potted basil plant is also visible in the background.

*We at Paulig
care about our
environment
and respect others.*

MANAGEMENT OF CORPORATE RESPONSIBILITY IS A PART OF DAILY WORK

At the Paulig Group, work on sustainability is directed by a corporate responsibility management team consisting of representatives from various functions within the Group. The team identifies priority areas and implements common objectives in the Group's operations. On the division level, the corporate responsibility manager is in charge of the implementation of matters, follow-up and development.

Paulig's corporate responsibility work is based on Paulig's values, as well as guidelines for responsible ways of working for employees and suppliers (Ethical Principles and the Supplier Code of Conduct). Goals for Paulig's responsibility have been established on all levels of operations, with the most important for coffee division being the Sustainable Coffee programme, which is detailed on page 13.

Corporate responsibility training sessions are organised for Paulig personnel. The goal of these are to increase the significance and awareness of corporate responsibility at Paulig, to acquaint personnel with the Group's shared values and ethical principles, and to bring sustainability even closer to each Paulig employee's daily work and ways of working. In the Coffee division, training related to sustainability themes is also organised by the Paulig Coffee Academy. During 2015, the theme was responsible sourcing and the sustainability of the supply chain.

At the Vuosaari roastery, Paulig has ISO 22000 and FSSC 22000 certified food safety management systems, an ISO 14001 environmental management system, and an OHSAS 18001 occupational health and safety system. The Tver roastery has ISO 22000 and OHSAS 18801 certified systems.



Paulig's ethical principles are based on the UN's Global Compact.

ETHICAL PRINCIPLES

Paulig's way of working is defined in the Group's ethical principles, which are based on the UN's Global Compact.

Paulig's ethical principles are:

1. We avoid conflicts of interest
2. We exceed consumers' expectations
3. We support responsible procurement methods
4. We care for the environment
5. We respect others
6. We build trust

Paulig's responsibility work is strongly linked to its ethical principles. The areas of focus during the years 2014-2016 are responsible sourcing and the development of environmental matters. Additionally, suppliers must commit to the supplier guidelines (Paulig Group Code of Conduct for Suppliers), wherein the principles of responsible operations are defined. Suppliers are expected to follow these principles in their own operations and supply chains.

MANAGEMENT

The Paulig Group's Board of Directors and Management Team is presented on the [Group's website](#).



Good coffee for everyone

A growing interest in the origin of our products, their production methods, and safety and health increase the demands related to transparency and responsibility. Paulig participates actively in the discussion and projects on the theme of sustainability of the coffee industry, and wants to be a part of the development of a more responsible industry. In Paulig's own operations, the cornerstones of sustainability are the responsible sourcing of green coffee, employee well-being, environmental matters of production and product safety. In the future, the Paulig Group's sustainability programme will guide responsibility work at Paulig.

RESPONSIBLE SOURCING

The main share of Paulig's sourcing is made up of green coffee. Paulig develops and advances the responsibility of its sourcing, for example by participating in international programmes and projects, and also through its own Sustainable Coffee programme. One of the goals of the programme is for all green coffee purchased by Paulig to be from sources confirmed to be sustainable by the end of 2018.

WELL-BEING OF PERSONNEL

At Paulig, the well-being of personnel, and the competence of managers are considered key factors for the success of the entire organisation, and the development of supervisory work

and leadership is a key focus area. The occupational health of personnel is taken care of through occupational health care, and occupational safety is constantly being developed, for example, within the "I Care" programme starting in the spring of 2016, which has two areas of focus: occupational safety and working capacity management.

ENVIRONMENTAL ISSUES OF PRODUCTION

Paulig strives to continuously reduce its environmental impacts throughout the entire coffee chain. The coffee roasteries' production processes are monitored closely, and reductions in energy consumption, greenhouse gas emissions, and waste amounts, in particular, are constantly strived for. At Paulig, new, environmentally friendly alternatives for coffee packaging are constantly sought, either through the reduction of the amount of packaging materials, or through the development of new materials, which are preferable from an environmental perspective.

Additionally, Paulig strives to indirectly affect environmental matters in the countries of origin for green coffee, through participation in projects supporting environmentally friendly growing and processing methods, among other methods, as well as sourcing green coffee, which has been produced taking environmental issues into account.



The values of the Paulig group

Stay Curious

- We embrace innovation and an entrepreneurial spirit
- We look for new insights about the habits and lives of our consumers
- We continuously seek and explore great flavours and tastes
- We have the courage to challenge and to seek new answers

Strive for Excellence

- We value quality in every aspect of our profession and business
- We are proactive, fast and push ourselves towards continuous improvement
- We are target-oriented and aim for results in everything we do
- We have a genuine commitment to a sustainable way of working

Grow Together

- We build long-term partnerships with our customers and other stakeholders
- We encourage diversity because it helps us to achieve more
- We lead by personal example and empower our people to grow
- We approach challenges as a team because together we bring more perspectives

In collaboration with stakeholders

In the coffee industry, the value chain extends from one corner of the earth to the other, from the countries of origin, through production plants all the way to the consumers in various markets enjoying their coffee. In this chain, Paulig acts in collaboration with many different partners and stakeholder groups.

We have identified our most important stakeholders regarding sustainable development. Central stakeholders for Paulig are customers, consumers, personnel, raw material suppliers in the countries of origin and farmers, as well as other partners and goods suppliers. Other important stakeholder groups are authorities, educational institutes, NGOs, local community representatives and the media.

We recognise that sustainable development is only successful in close collaboration with various stakeholder groups. We assess our stakeholder expectations with research, investigations and through personal interaction. Long-term collaboration with our customers and suppliers enables us to meet consumer expectations and wishes in the best way possible. Paulig has actively developed its communications and opportunities for interaction with its consumers, especially through social media channels. Read more on page 39.

FINANCIAL ADDED VALUE TO STAKEHOLDER GROUPS

Paulig's operations bring financial added value to its stakeholder groups in all countries of operation. The majority of the financial added value goes into the salaries and remuneration of personnel in Finland, and to coffee producers and suppliers in the countries of origin.

The net sales of Paulig's Coffee division were EUR 346 million in 2015 (2014: EUR 319 million). The largest market areas were Finland, the Baltic region and Russia and nearby regions. In 2015, the Coffee division employed 596 persons, who were paid salaries, remuneration and pension payments totalling EUR 28 million (2014: EUR 27 million). Paulig sourced green coffee and materials from their suppliers amounting to approximately EUR 209 million (2014: EUR 186 million).

Paulig participated in coffee industry projects in the countries of origin. Paulig has invested approximately EUR 160,000, annually, in the International Coffee Partners and Coffee & Climate projects.

COLLABORATION IN THE COUNTRIES OF ORIGIN

We at Paulig want to further the well-being of coffee farmers and protect the environment and natural resources in the countries of origin. Therefore in 2001, Paulig, together with four other European family-owned coffee industry companies, founded the non-profit [International Coffee Partners \(ICP\)](#) collective. Two more members have since joined.

The ICP implements projects that improve the livelihoods and living conditions of smallholder coffee farmers and their families in various countries of origin. Governments, development organisations and NGOs in these countries are also involved. To date, the ICP has collaborated in 23 projects in 12 different countries and has had the opportunity to positively affect the living conditions of nearly 38,000 coffee farmers.

Read more about the ongoing projects on [International Coffee Partners' website](#)



Local collaboration is important – farmer field schools in Honduras

SOCIETY'S COMMITMENT TO SUSTAINABLE DEVELOPMENT



In the spring of 2015, Paulig joined the Finnish Society's Commitment to Sustainable Development with two commitments. The first furthers sustainable development by helping coffee farmers to adapt to climate change and its challenges. The second contributes to the Finnish bio-economy objectives and helps Paulig to continue on the path of reducing the environmental impact of coffee roasting and distribution in Finland.


With these commitments, Paulig wants to contribute to the sustainability of coffee supply chains, support coffee growers' communities and ensure enjoyable coffee moments, also in the future.

Our commitments:

1. *Paulig commits to grow the portion of renewable energy use by changing from natural gas to biogas in coffee roasting in Vuosaari and by exploring opportunities to use renewable fuel sources for the car fleet of Paulig Professional*.*
2. *Paulig commits to continue as a key contributor to the Coffee & Climate initiative that seeks to enable coffee farmers' communities to improve climate change resilience and to increase their adaptive capacity.*

coffee & climate
enabling effective response

* Paulig Professional offers coffee solutions for hotels, restaurants, cafés, offices and stores.

A photograph of a coffee nursery. In the foreground and middle ground, there are numerous rows of young coffee plants growing in black plastic bags. The bags are arranged in neat rows on a patch of brown soil. In the background, four people are standing and looking at the plants. From left to right: a man in a pink shirt, a man in a green shirt and a cap, a man in a blue shirt, and a woman in a striped shirt. They are standing on a grassy area with a line of trees in the distance under a cloudy sky.

*By the end of 2018,
all green coffee purchased
by Paulig will be responsibly
produced, with 100%
traceability.*

Sourcing

Paulig's goal, good coffee for all, encompasses the entire journey of coffee – from the coffee tree all the way to the consumer. Consumer interest in the origin of the products and their responsible production also continues to increase. For these reasons it is only natural that responsible sourcing continues to be a key focus area for Paulig sustainability work and one that the company has put a lot of effort into for a long time already. The largest portion of sourcing is green coffee, and Paulig purchases 900,000 bags (60 kg each) of this from around the world per year, or approximately 53 million kilos. Approximately 98% is Arabica coffee of very high quality. Additionally, a lot of other materials, products and services are purchased.

Paulig is developing and advancing the sustainability of its' sourcing in several ways, including by participating in international programmes and the International [Coffee Partners \(ICP\)](#) and [Coffee & Climate](#) projects. Read more about these projects on page 19.

One of the important goals of Paulig's own Sustainable Coffee programme, launched in 2013, is that all of our green coffee must meet responsibility requirements, and be traceable all the way to the coffee farms, by the end of the year 2018. These responsibility requirements cover, among others, respect for human rights, the advancing of good working conditions, protecting the environment and promotion of sustainable growing practices. In practice, the fulfilment of the requirements is ensured by concentrating purchases on certified and verified coffees, as well as performing own audits in the supply chain.

Currently, the certifications used by Paulig are Fair Trade, UTZ Certified and Organic. Additionally, the common coffee industry Code of Conduct 4C verification is utilized. Coffee for our Sustainable coffee programme can also be sourced from farms within the Rainforest Alliance certification,



Sourcing Manager Anna Vänskä at the meeting of Rwandan coffee farmers

or from farms involved in sustainable development projects, which Paulig supports. All responsibly-produced coffee must at least meet the Paulig Group's Supplier Code of Conduct requirements. Approximately 20% of the coffee sourced by Paulig was certified by the end of 2015, with a goal of 40% to be met by the end of 2016.

COLLABORATION IS THE KEY TO ADVANCING SUSTAINABILITY IN THE COFFEE SUPPLY CHAIN

Paulig purchases more than 50 million kilos of green coffee per year, from 10 to 15 countries. The most important producing countries for Paulig by purchase volumes are Brazil and Colombia, with coffee also being sourced from e.g. Kenya, Ethiopia and Guatemala. Over 70% of the coffee produced in the world comes from small farms, with an average size of less than two hectares.

Coffee traceability is an important aspect of responsible sourcing. Paulig has promoted the traceability of coffee actively with the coffee suppliers operating in the countries of origin in which Paulig buys green coffee. Through good long-standing collaborative relationships, sustainability and coffee traceability can be developed throughout the entire supply chain.



Senior sourcing manager András Koroknay-Pál
visiting Colombian Juan Correás coffee farm.

In almost all production countries, green coffee can be traced one step further from the exporting companies, to the co-ops or processing plants, even reaching the farm level for some of the coffee. As an example, approximately half of our coffee purchased in Brazil is traceable to the farms. In a few countries, such as Ethiopia and Kenya, the coffee supply chains and trade methods make tracing back to the farms nearly impossible. The coffee farms are small, there are tens of thousands of them, and the coffee is mainly sold at concentrated auctions, which are overseen by the state.

In selection of collaborative partners, Paulig emphasizes responsibility and chain traceability. Trade partners are selected with care and long-sighted collaboration with them can improve the sustainability and transparency of the entire coffee supply chain. Of coffee purchased by Paulig during 2015, 100% can be traced back to the export companies in the countries of origin, 89% to the co-ops and processing plants and 40% to the coffee farms.

The experts responsible for Paulig's sourcing visit the countries of origin regularly. The visits to the coffee farms and processing plants are an important part of collaboration, and provide information on the conditions and ways of working in the countries of origin. This information is utilized while assessing the risks and potential of suppliers for production, quality, and advancing sustainability.

One of the goals of Paulig Group's Responsible Sourcing programme was to create a common and consistent process, and tools which enable the identification of social and environmental risks, as well as addressing the identified issues. In supplier negotiations, the responsibility aspects and promoting sustainable development have been made a clear part of collaboration and development of activities. In 2015, a risk mapping was performed for suppliers, in which the responsibility practices of producers were clarified in the company and in their supply chains. Based on the answers, the risk classification for suppliers was re-evaluated, and it was possible to better focus subsequent actions, such as audits.

Additionally, in 2015, all of the important suppliers in the coffee division signed the renewed [Paulig Group Code of Conduct for Suppliers](#), in which the principles for responsible action are defined. All Paulig raw material producers are expected to follow these guidelines in their own activities.

In 2015, Paulig investigated the implementation of the ethical principles for procurement in Brazil. The investigation was initiated as stakeholders had raised concerns of extremely poor working conditions at some of the coffee farms in Brazil. In the investigations performed together with our coffee suppliers, it became apparent that the criticized producers had not provided coffee to Paulig.

The coffee suppliers' own sustainability programmes and the in-depth knowledge of their own chain are significant factors when Paulig selects collaborative partners in the countries of origin. Paulig wants to know their coffee chain as well as possible, and favours those suppliers that can provide transparency of their chain, and demonstrate good practices and a spirit of openness. The ethical principles of Paulig's sourcing also encompass the respect of human rights, and all partners have committed to following the guidelines.



What is certified coffee?

Certified coffee, or coffee that has responsibility certificates, has been farmed and produced in accordance with related sustainability criteria. The adherence to the requirements set by certification guidelines is confirmed by an independent third party, during regularly performed audits. The shared goal of all certifications is the furthering of sustainability in the production chain. The emphasis varies slightly for the different standards.

The most well-known certificates in the coffee industry are Fair Trade, UTZ Certified, Rainforest Alliance and Organic. In Sweden, the certification KRAV is also utilized. Some of the coffee farms have several certificates.



Which responsibility certified products does Paulig have?

Brazil, the Paulig Espresso product line, Paulig Kenya and Parisien are UTZ certified. Paulig Mundo, Paulig Mexico, Paulig Colombia and the Paulig Professional product line are both Fair Trade and Organic products.



Anna Vänskä ja Katariina Aho visiting Miramonte family farm in Costa Rica. The farm is owned by the Guardián family, who grows coffee already in the fifth generation since 1917.

CASE

Katariina Aho and Anna Vänskä's coffee trip to Costa Rica and Nicaragua

"We left at the beginning of November, with San José, Costa Rica as the destination. Our mission was to meet coffee producers, get acquainted with coffee growing in Costa Rica, and to go and evaluate the quality of the new Presidentti Special Blend, and responsibility on the farm. Additionally, as this was Anna's first coffee trip to a country of origin, it was very significant for networking.

As soon as we arrived, we headed to the Pilas Miramonte farm, to the birthplace of the new Special bean. We met farmer Ricardo Gurdian, who proudly presented his farm in the Central Valley region.

The next day we headed towards Tarrazu, which is the most renowned quality coffee area in Costa Rica. The purpose of the day was to get acquainted with responsibility themes in coffee cultivation, and the sustainability programme of one of our main partners. We learned how it is particularly important to increase farmers' financial expertise, in order to secure the continuity of coffee cultivation. Otherwise, coffee growing will no longer be

seen as an attractive career, and young people will leave the countryside for the cities in search of more profitable jobs.

We spent the rest of the week at an international coffee seminar, with approximately 500 coffee industry experts from the entire value chain of coffee participating, from growers to roasters.

After this, we headed to the Nueva Segovia coffee region, in the northern part of Nicaragua, where we got acquainted with a school of almost 700 students, which is supported by our longest-standing collaborative partner, Mercon/Cisa. The school utilized mini-laptop computers to support learning, and the overall standard of education there is higher than average. For this reason, many families send their children to school, which is not necessarily self-evident in Nicaragua. The teachers and children were keen to meet us. We were something of an attraction, largely because of Anna's blonde hair, which everyone wanted to touch. The children were also delighted by the footballs we donated.

Through our cooperation partners, we have an opportunity to participate in projects that support coffee-farming communities by building and renovating schools and healthcare centres, for example. During our trip, we also visited a healthcare centre, supported by a prosperous local coffee farmer. The farmer produces high quality coffee, and has an above-average production capacity. We were delighted to see that good agricultural practices, carefully selected coffee varieties and long-term pricing models help coffee farmers succeed and set an example for other farmers in their area.

In Nicaragua, we visited nearly 10 coffee farms, from small, one-hectare farms to estates of almost 20 hectares. We also visited a coffee tree improvement laboratory, where the

productivity of coffee trees, as well as their resistance to plant diseases, can be enhanced by combining different varieties

Our trip is now nearly finished, and we will soon arrive in Finland. Our trip included dozens of cups of coffee, hundreds of coffee plants, thousands of coffee berries and millions of coffee beans. We have had fruitful discussions with farmers and our suppliers. This lays a solid foundation for new sustainable purchases.”



Farmer Ricardo Guardián is happy that his coffee farm's fruity beans were chosen because of their high quality into the 2016 Presidentti Special Blend.



Farmer Juan Vargas from Tarrazu told us how responsible farming methods can increase the productivity of the farm and the quality of the coffee.

CLIMATE CHANGE IS ALSO A RISK FOR COFFEE

Climate change will bring about significant changes to coffee growing in coming years. Coffee, especially the Arabica variety, which is popular in Finland, is sensitive to a rise in temperature. The Arabica coffee plant thrives on the hillsides of mountains, and as the climate warms up, the growing region needs to be increasingly moved higher up. In addition to the right temperature, the coffee beans require the right amounts of dryness and moisture for their development. Coffee crops and their quality have already lowered in several areas, due to rises in temperature and unexpected rain or drought. These types of changes also threaten coffee cultivation as a means of making a living.

As a company in the coffee industry, Paulig is interested in the future of coffee and whether we will be able to secure the availability of desirable high quality coffee as the climate changes. It is very important to understand what is happening in coffee cultivation and what this means to coffee growers, so that we can help them prepare for coming changes and to enable them to earn their livelihood from coffee also in the future.

To aid the adaptation to the changes of small-holder coffee farmers, Paulig started the Coffee & Climate environmental initiative in 2010, together with six other European family-owned coffee companies. In the Coffee & Climate initiative, practical tools are developed for growers, by combining the latest research information on climate change with cultivation practices which have proven to be successful. In 2015, Conservation International and the Starbucks café chain joined the Coffee & Climate initiative.

Read more about the Coffee & Climate project on [Coffee & Climate's website](#).

THE TREND IN THE PRICE OF GREEN COFFEE

During the 2015 harvest period, 8.5 million tons, meaning 140 million bags of coffee (60 kg each) were produced (source: International Coffee Organisation). Of this coffee, 60% was Arabica and 40% was of the Robusta varieties. Paulig buys approx. 0.6% of the world's annual green coffee production, with 98% of these purchases being Arabica.

The price of Arabica coffee, which is the main coffee variety used in Finland, is defined by the New York Stock Exchange. During 2015 the world market price of coffee fell sharply, down by about 25% from the average price of 2014. This was due to the general decline in commodity prices as well as the devaluation of the currencies of the largest coffee-producing countries, Brazil and Colombia.

The devaluation of the Brazilian and Colombian currencies improved the prices the coffee producers in these countries received in local currency. On the other hand, in many African and Central American countries the coffee farmers have suffered due to the decrease in the market prices. This has decreased the investments made by farmers, such as the use of fertilizers or active coffee tree pruning, which may in turn decrease the future coffee yields in these countries.

Weather conditions have also greatly influenced the price of green coffee during recent years. The crop of the largest coffee-producing country, Brazil, was expected to be weak in 2015, due to drought which affected blossoming. The drought caused a shortage in the larger, better-quality beans in particular, which increased the price of these beans to a historically high level.

The price trend of coffee is also meaningful from the perspective of responsibility. A price level that guarantees profitability provides the farmer with a better income, enabling the maintenance and development of their farms. This will be important for the availability and quality of green coffee also in the future. The majority of the coffee farms in the world are quite small, with an average size of less than two hectares, and the threshold for the farmers to move on to alternative, more profitable crops may be lowered, if the price received for the coffee is not attractive.

The International Coffee Partners projects, which are supported by Paulig, help coffee growers find an optimal combination of crop plants to grow alongside coffee, reducing the financial risk, if the coffee crop is not successful during any given year. The practice increases the income of the farmers, and makes coffee farmers less vulnerable in the changing weather conditions.



"In my region, the most severe consequences of climate change are the rising temperatures and drought. With the support of coffee & climate, we started experimenting the distance we plant our trees in, and have re-invented our traditional way of farming coffee by introducing cover crops and gypsum. It is a learning process that we actively participate in, and I am proud to say that my demo plot motivates my fellow farmers to adapt their practices - and are now better prepared to handle the challenges to come".

Mauricio Gavarrete
coffee grower, Honduras

The Coffee & Climate project partners at the climate meeting in Paris

At the climate meeting in Paris in December 2015, a new, world-wide climate agreement was made, creating a base for long term actions to control climate change. The coffee sector players partnering in the Coffee & Climate initiative also published their commitment in Paris to prevent the effects caused by climate change in coffee production areas.

Throughout the world, the livelihoods of about 100 million people depend on coffee. It is a key commodity in more than 70 developing countries. If the severe consequences caused by climate change are not addressed, both the coffee industry and the livelihoods of smallholder farmers will be in danger.

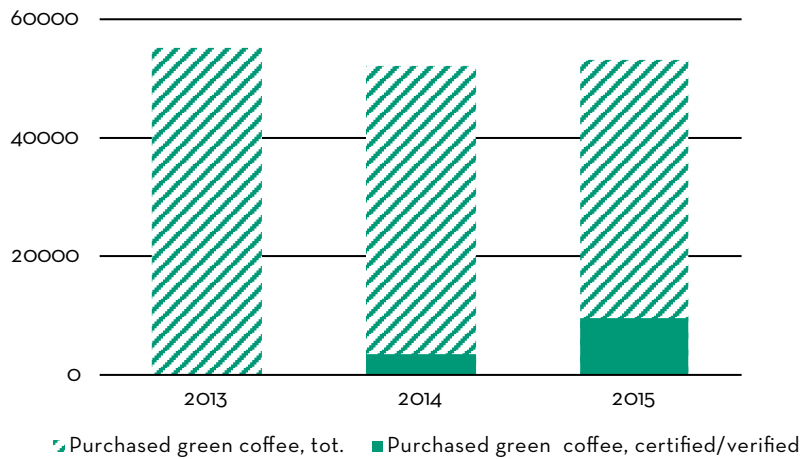
In their commitment, the partners of the Coffee & Climate project promised, among other things to:

- *research public and private sector partnerships, with which the development and reinforcement of more durable coffee supply chains will be attempted*
- *support the responsible usage of resources (energy, fertilizers, water, soil and land usage) for coffee production*
- *to support the farmers in their progression to sustainable and high-quality production systems*

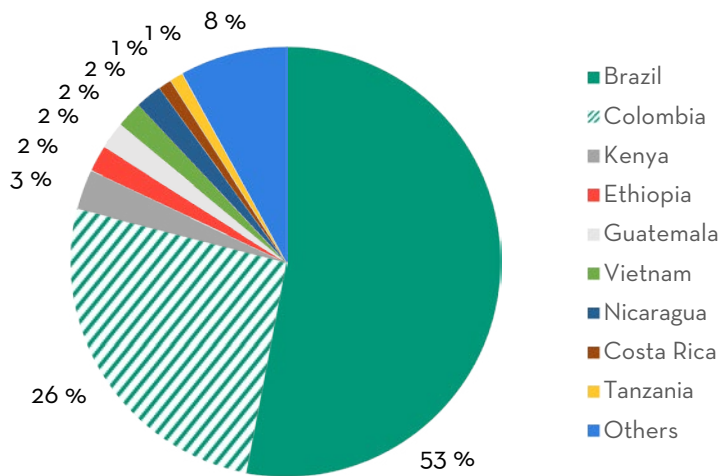
coffee & climate
enabling effective response

Figures and results of our work

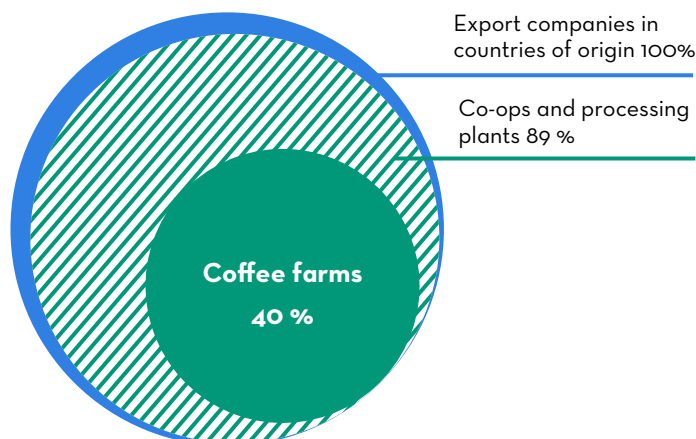
Certified coffee purchases (tons) 2013-2015



*By the end of 2015,
20.3% of green coffee
purchased by Paulig was
responsibility certified*



*Paulig's green coffee
purchases in 2015,
by country of origin*



*Traceability of
Paulig green coffee
purchases in 2015*

Personnel

Paulig wants its personnel to be healthy and to enjoy their work. The results of the employee engagement survey, which have improved year after year, indicate that a determined focus on the development of supervisory work and personnel has produced results. In addition to competence, Paulig constantly focuses on ensuring employee well-being and occupational safety.

THE DEVELOPMENT OF SUPERVISORY WORK ALSO BENEFITS EMPLOYEES

At Paulig, supervisors' skills are viewed as a key factor for the success of the entire organisation, and considerable efforts are invested in the development of supervisory work and leadership. From 2009 onwards, Paulig has been working on developing a new leadership model, with special emphasis on coaching. The company offers all supervisors a large amount of training, and HR acts as their sounding board in challenging situations.

In supervisory training, the emphasis has especially been on understanding the supervisory role, since the work can be very challenging and pressurised at times. Additionally, areas of supervisory work, such as employment law, recruitment, orientation and daily management skills are developed. The systematic development of supervisory work and leadership has provided many supervisors with a new perspective, and has helped them to internalize their own role. It has also helped to identify future leaders, and to plan various career opportunities for them at Paulig.

Paulig's goal is continuous improvement and annual goals have been established for each employee. Supervisory work plays a very important role in the achievement of these goals, and Paulig's supervisors have been trained to use the 3D* model for goal, performance appraisal and feedback discussions as a management aid. In these discussions, personal goals are agreed upon, with a review of achieved goals and development needs. The evaluation process is a part of the routine to develop

personnel work and skills, and all employees went through the process last year.

(*3D=3 dialogues)

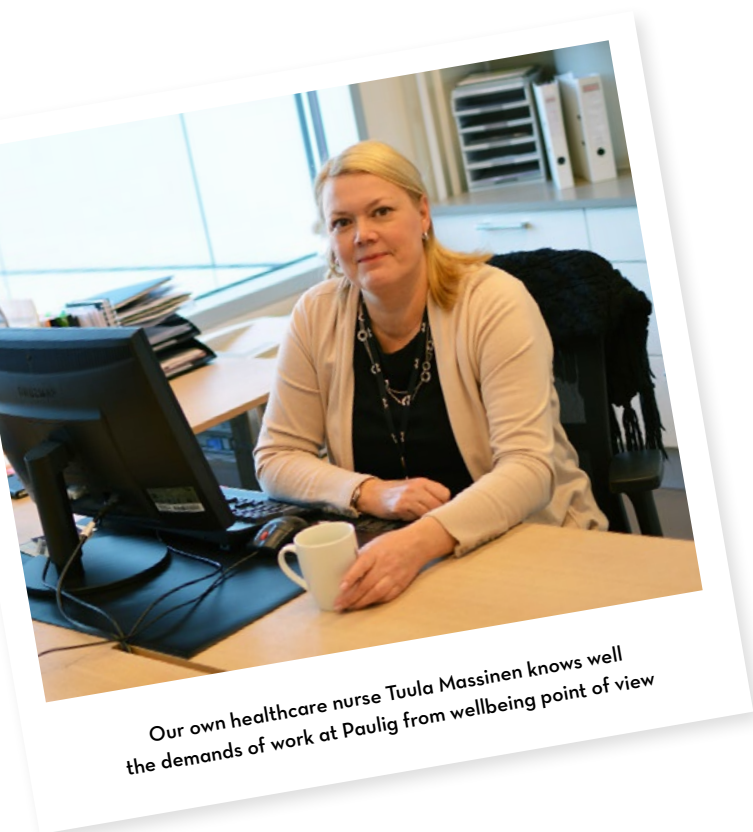
THE QUALITY OF SUPERVISORY WORK AND LEADERSHIP HAS IMPROVED

In addition to personnel development and success, Paulig assesses supervisory work and leadership each year with the Leadership survey. In the survey, an assessment is provided by each team working under each supervisor. The survey results also serve as one criteria for the performance-related bonus of supervisors and managers. The 2015 Leadership survey result improved on the previous result, and surpasses the established goal, at 3.3 (2014: 3.1) on a scale from 1-4.

EMPLOYEE ENGAGEMENT SURVEY INDICATES STRENGTHS

At the Paulig Group, the TellUs employee engagement survey is performed every other year. In the previous survey, performed during the autumn of 2014, the results of the Coffee division were higher than the average results of European companies, on all measured key indicators. In 2015, the slightly narrower employee questionnaire TellUs Pulse was performed, where the results had improved from the earlier AA level to the next level, AA+.

Particularly, Paulig's focus on supervisory work and leadership was apparent in the results, since personnel were happy with the leadership, the established goals, and the quality of supervisor discussions. The high response rate (89%) also indicated that personnel felt it was important to participate in the questionnaire. Based on the responses to the questionnaire, however, the new company strategy still requires some clarification. Paulig actually invests in the constant development of supervisory communication and dialogue, since the role of supervisors is very important in a changing operational environment.



Our own occupational healthcare – help nearby

Paulig is one of the few Finnish companies that has its' own occupational healthcare. This has been the case for decades, and is something that Paulig has decided to continue, in-house, also in the future.

The Paulig Vuosaari roastery has its own occupational health clinic with an occupational healthcare nurse who is present daily and a doctor who is present two days a week. In Russia, at the Tver roastery, the employees are offered comprehensive occupational healthcare and medical treatment services in local healthcare centres and hospitals.

Having our own health clinic makes day-to-day activities easier for Paulig employees. It is easy to pop in to the reception during the workday, which lowers the threshold to seek treatment in time. Also, in exceptional cases, such as epidemics or workplace accidents, help is always nearby. Additionally, our own healthcare knows the demands and content of the work at Paulig, which makes it easier to identify the factors that might be behind the symptoms.

In addition to occupational healthcare, Paulig supports personnel well-being and coping at work in several different ways. At the Vuosaari

roastery, there is a gym for personnel usage, and several exercise and cultural clubs are on offer.

A lot is known of the detrimental effects of sedentary work. Excessive sitting can, among other things, increase neck and shoulder problems, cardiovascular diseases, as well as increase the risk of developing type II diabetes. At Vuosaari, we have taken steps to prevent these problems by installing electric desks at all work stations, which enable employees to work both sitting down and standing. There are also two meeting rooms in the building where meetings can be carried out while standing. In conjunction with renewing the work desks, ergonomic guidance was also provided.

THE PERSONNEL FIGURE

At the end of 2015 the personnel figure at Paulig was 596. The majority, 80%, of the personnel of the Paulig Coffee division works in Finland and in Russia. The portion of production workers in Finland and Russia is approximately one third. Personnel in the other countries of operation (Estonia, Latvia, Lithuania, Sweden and Norway) work in sales and marketing.

*Paulig contributes
strongly to the well-being
of the personnel*





Work safety as an area of focus during 2016

Paulig operates in accordance with the occupational health and safety certified OHSAS 18001 standard. At Paulig's roasteries, the occupational health and safety situation is still at a good level, in comparison with the general food industry level, even though the amount of workplace accidents increased from the previous year. During the year 2015, there were 10 workplace accidents in the Coffee division in Finland (2014: 5) and 1 in Russia (2014: 0) which resulted in sick leave. The majority of the accidents, which resulted in sick leave involved hands or fingers, for instance due to cuts from slipped tools. Additionally, 11 first aid cases were noted, e.g. a cut or bruise, which did not result in sick leave. This has not been the desired direction of development, unfortunately, since the amount of accidents resulting in sick leave doubled in comparison with 2014.

Even though serious workplace accidents were avoided, the accident trend has taken a worrying turn during the past two years, and occupational safety is thereby the subject of special focus during 2016. Occupational safety and safe methods are the focus of the "I Care" programme, starting in the spring of 2016, which includes two areas of emphasis: occupational

safety and working capacity leadership. The focus on continuous improvement of occupational safety is also apparent in the ethical principles of the entire Group, which have already been specified, pertaining to the improvement of occupational health and safety. Additionally, the areas where hearing protection must be worn in the roastery have been specified, new cut resistant gloves have been acquired, and dust and carbon dioxide measurements have been performed. Also, for production and in the warehouses, safety shoe usage has been started. The occupational safety committee has also been very involved in the development of occupational safety.

Occupational safety is being improved and risks are also being prevented by observing more systematic safety awareness than before. Personnel are being encouraged to observe and report risks to occupational health and safety. The renewed initiative process for areas of concern and near misses situation reporting, which was started in 2015, produced a total of 56 observations at the Vuosaari and Tver roasteries. The aim is to increase the number of observations in 2016.

At Paulig, you can work even when your working capacity isn't perfect.

The maintenance of working capacity and the identification of potential threats to it are the core tasks of occupational healthcare. At Paulig, solutions are sought quickly and in a more flexible manner, also during difficult situations and when illness is encountered. To maintain working capacity, various solutions are sought, in order to make it possible to attend work, at least to some extent. Various flexible arrangements are everyone's advantage, which are sought together with the employee and the superior.

Such a situation could be, for instance, during the rehabilitation of a musculoskeletal disorder, an injury or mental health disturbance.

Becoming healthy and achieving rehabilitation is often supported by continuing normal life and attending work. The return to work is made easier when the work and the situation are suitable, such as physically lighter work or working shorter hours.

This is possible at Paulig, through rehabilitative work, the opportunity of which is always assessed together with the occupational health doctor. During the rehabilitative work, regular wages are paid, the situation is temporary, and upon its completion, the person returns to their own work position.



Aerial Yoga gives relaxation to body and mind.

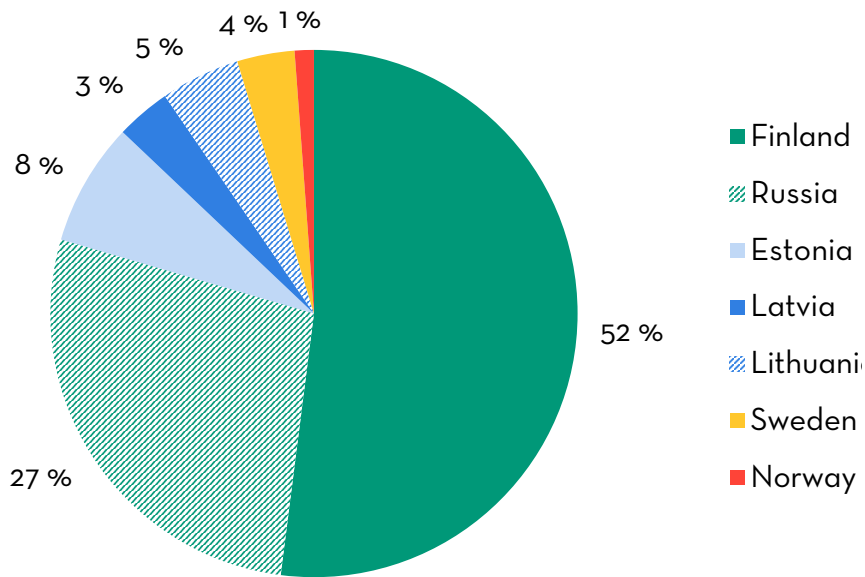


Gourmet Club cooked seasonal ingredients at the Flavor Studio cooking course.

At the Vuosaari roastery there are multiple sports and culture clubs for the personnel.

Figures and results of our work

Personnel figures, by country 31 Dec. 2015



Occupational healthcare and work safety figures at the Paulig roasteries

	2013	2014	2015
Number of accidents*			
Vuosaari	2	5	10
Tver	0	0	1
Accident frequency ** (LTIF)			
Vuosaari	5	9.4	17.4
Tver	0	0	5.6
Sickness absence percentage			
Vuosaari	2.2	3.2	3.1
Tver	1.8	3.3	2.2

*The number of work accidents = work accidents causing at least one day of absence, not including commuting accidents.

**Accident frequency LTIF = number of work accidents causing at least one day of absence/one million worked hours


The Environment

Paulig strives to consistently reduce its environmental impact throughout the entire coffee chain. The company can affect environmental issues directly in its own operations, such as logistics, production and in packaging.

Climate change is bringing great changes to coffee farming, as the coffee tree is sensitive to global warming and coffee crops have become

smaller in many places, and their quality has weakened. To aid coffee farmers in adapting to these challenges, Paulig is participating in projects which support the usage of environmentally friendly growing and processing methods, and it also sources raw materials that have been produced taking environmental issues into account. Read more on the Coffee & Climate project and responsible sourcing on page 19.



A woman with long brown hair, wearing a traditional Finnish dress (kangas) with a white blouse and a long, patterned skirt, stands in profile looking out over a vast landscape. The sky is filled with large, white, fluffy clouds, and a small, dark, circular object is visible in the upper left. The landscape below is green and hilly, with a body of water visible in the distance. The overall mood is serene and contemplative.

*Since August of 2015
the energy consumption at
the Vuosaari roastery has
been covered by wind power
and Finnish biogas.*

The environmental efficiency of roasteries is constantly being developed

Diminishing the environmental effects of production is constantly being considered at the Paulig roasteries. The production processes have been fine-tuned for a long time, so instead of giant developmental leaps, the emphasis is on making operations continuously more efficient. The reduction of energy consumption, emissions, waste and packaging materials are focused on in particular. Additionally, the collaboration between the Group's units and reporting is being developed for environmental issues.

The roastery in Vuosaari, taken into use in 2009, has been implemented with modern technology and utilising sustainable design thinking. The building is made of durable and recyclable materials, such as metal, glass and stone. The external walls have been covered in oxidising alloy plates, which form a protective, brown cover as they rust, and will not require maintenance for many years.

The Vuosaari roastery is significantly larger than the Tver roastery, and it produces nearly 90% of Paulig's coffees. Therefore, the majority of the environmental impacts of the roasteries are also caused in Vuosaari. The monitoring of the environmental key figures and collection of information of the Robert Paulig small-scale roastery in Porvoo, bought in 2014, are being developed. The environmental information of this report does not yet include the figures of the small-scale roastery.



The Vuosaari roastery.

TOWARDS LOW EMISSION COFFEE PRODUCTION

Energy and water consumption are closely monitored at Paulig. At the Vuosaari and Tver roasteries, the total energy consumption (electricity, natural and biogas as well as district heating) during 2015 was approximately 36,300 MWh, remaining at the levels of the previous year.

Scaled to the produced tons of coffee, the energy consumption of the roasteries improved 6% from the 2014 levels. The goal for 2015 was a 5% improvement in energy efficiency in both roasteries, per produced ton of coffee. This goal was not met in Vuosaari, where the efficiency improved by 3%. In Tver, a 14% improvement was noted, but efforts to improve the energy efficiency of the roasting facility are ongoing. With a longer inspection interval, the Vuosaari roastery's energy consumption and efficiency has clearly improved. Compared to 2010, the energy consumption at Vuosaari has diminished by 19%, and energy efficiency has improved by 12%.

Since the beginning of 2014, the energy consumption at the Vuosaari roastery has been covered by wind power, and in August of 2015, Finnish biogas usage replaced natural gas. (Read more about the biogas project on page 32). The investment in energy efficiency and renewable energy has, in fact, significantly decreased the amount of the roastery's greenhouse gas emissions. In relation to the



From 2010 onwards, the total waste amount from Vuosaari has been decreased by more than 40%, and mixed waste is no longer produced at all.

produced tons of coffee in 2015, 64% less greenhouse gas emissions were created than five years earlier.

Very little water is consumed in the production activities of the roasting facilities. During 2015, approximately 9,000 m³ of water was used at Vuosaari (0.21 m³ per produced ton of coffee) and 1,000 m³ (0.16 m³ /produced ton) in Tver. The goal in the future is to better differentiate the water consumed for production and that for office work, so that the procedures that lower consumption can be better focused in the right areas.

MANY METHODS OF WASTE REDUCTION

Produced waste is closely monitored at Paulig roasteries, and we constantly aim to reduce the amount of waste. The goal is for all types of waste to be utilised as material or energy. The majority of the roastery waste is utilised,

and is delivered elsewhere than to landfills. At the Vuosaari roastery, mixed waste is no longer produced at all. During 2015, 940 tons of waste was created at the roasteries, which is 73 tons less than the previous year. Nearly half of the total waste generated at the roastery is biowaste, of which majority is coffee waste from production. In Vuosaari, the total amount of waste has been reduced by 42% since 2010, with a 22% reduction in biowaste and coffee waste. Part of the coffee waste is sold as raw material for instant coffee, and the biowaste is recycled through composting, or it is made into biogas.

Also in Tver, work is carried out to reduce the amount of waste produced, and to increase the portion of waste going to recycling. During 2013–2015, the amount of mixed waste going into landfills has been decreased by 43%, through improved sorting and recycling opportunities.

Animal feed from coffee beans

During 2015 we managed to achieve our goal of reducing the amount of waste produced at Paulig's roastery in Tver, Russia, and increase the recycled portion of waste.

Earlier the main issue was wood waste generated by broken transportation pallets of different sizes as well as the biowaste from coffee production, which had no recycling options.

Through a new sorting area, constructed in the yard of the roastery, the various types of wood waste can now be easily separated from each other. Through improved waste sorting, for example, the recycling of transportation pallets is now more successful, and the pallets can now be delivered for continued usage elsewhere. Also the amount of biological waste was clearly



The amount of landfill waste from the Tver roastery has been reduced by more than 43%.

reduced in 2015 when a Moscow company, which further refines food industry material streams into animal feeds, was found to be a suitable business partner. These days, the Tver roastery delivers 25 tons of the thin surface layers of coffee beans, created while roasting, to be used as animal feed raw materials.

Aided by the improved sorting of wood waste, and through the recycling of the created biowaste, the amount of mixed waste created in Tver was significantly reduced.

PACKAGING MATERIALS UNDER CLOSE INSPECTION

The reduction of the amount of materials used for packaging has been Paulig's goal for a long time, and the development of the packaging is a constant area of development. During 2015, approximately 2,100 tons of packaging material was used in Vuosaari. When proportioned to the amount of produced coffee, the usage of packaging materials has been reduced by approximately one per cent, since 2013.

EFFECTIVE TRANSPORTATION

The optimisation of logistics has been a central development goal for a long time throughout the Paulig Group. The environmental friendliness and efficiency of the delivery chain is improved through route planning and the development of transportation methods. Sea cargo is the most efficient way to transport coffee.



Sea cargo is the most efficient way to transport coffee.

The enlargement of ships has greatly reduced transportation emissions and energy consumption per ton of coffee.

The majority of coffee arriving at Paulig is packed in containers, which contain one large bag of green coffee, which can fit approximately 20,000 kilos of green coffee.



Quality assurance at Tver roastery

Green coffee arrives at the Vuosaari harbour, on an average three times per week, which adds up to 2,500 containers per year. The roastery is located right next to the harbour, so the containers do not need to be transported on roads at all, but rather are transferred directly off the ships onto the roastery premises.

The transportation of the finished coffee products to the retailers warehouses in Finland is mainly handled by the customers' logistical partners. Paulig's delivery service carefully plans the loading of the cargo and delivery routes, in order to minimise the amount of transport. Paulig delivers its products to the Baltic direct from its Vuosaari warehouse. During transport, the loading space is utilised to its maximum capacity, i.e. by combining the loads of various clients.

Tver's green coffee sourcing is handled from Finland, but the deliveries are made directly to Russia. The main harbour currently used is Kotka, from where the coffee containers are transported to Tver by lorry. Paulig's own transportation link between the harbour and the roastery has been deemed the most effective transportation method.

PRODUCTION QUALITY IS BEING MONITORED AND DEVELOPED

At the Paulig roasteries in Vuosaari and Tver, the quality of operations is regularly monitored with the help of Good Manufacturing Practice (GMP) rounds. The GMP method has been developed at Paulig over the years, serving to help in devoting attention to matters which have an effect on work safety, among others, and the sorting of waste. Additionally, we use at the roasteries the 5S system based on the Lean concept to reduce all forms of waste and unnecessary effort in all processes. With these quality assurance practices we have improved e.g. safety and general standard of cleanliness in various parts of the roasteries.

During 2015, the GMP index was 3.8 in Finland and 4.3 in Russia. The value of 3.44, which was established as a goal, was surpassed at both roasteries. GMP point scoring also acts as the result reward gauge for personnel.

What is GMP?

At Paulig's roasteries, the quality of operations is regularly monitored, aided by GMP (Good Manufacturing Practice) rounds. In the development of the GMP model, we follow the principle of continuous improvement, so the way we do the rounds

as well as the areas of focus may change through introduction of new ideas or requirements.

The present GMP index scale at Paulig is 1-5, with results above four representing a good level.

Responsible coffee packaging design is long-term work

Coffee requires packaging material which protects it from oxygen, moisture and light, keeps the flavour and aroma intact, as well as stays intact during transportation from the roastery all the way to the end user. Demands are high for the quality of packaging materials, and the development of packaging is long-term work, which requires investigating matters from many perspectives.

Environmental consciousness, producer responsibility and innovations take the packaging industry forward with great speed. In Europe, activities are also controlled by the EU's new Waste Framework Directive, and according to its five-step hierarchy, the prevention of waste is the first priority for the environment, and the disposal of waste in landfills is the last option.

Paulig applies this thinking to the design of responsible packaging, wherein the goal is to reduce the usage of all packaging materials, without sacrificing product quality, and the minimising of lost materials and waste. The secondary goal is to increase the usage of sustainable, recycled and recyclable materials.

At Paulig, we are constantly looking for new environmentally friendly alternatives for the packaging of coffee. There are two ways to achieve this: we can decrease the amount of current packaging materials or develop and implement new alternatives which are better materials from an environmental perspective.



For the environmentally friendly attributes to be fulfilled, the thinning of the packaging material or the introduction of new packaging materials cannot increase the consumption of another material, diminish the quality of the coffee or jeopardise the durability of the packaging material.

During 2014, Paulig developed new, aluminium-free coffee packages as a part of the responsibility programme, spanning into 2018, the goal of which is to reduce the amount of used packaging materials, as well as increase the portion of renewable raw materials. During 2015, however, it was discovered that not using aluminium clearly increased the need for plastic materials, which replaced the aluminium, adding also to the packaging costs. The achievable results were in conflict with Paulig's primary responsibility goal, which is the reduction of packaging materials. For this reason, the development of packaging is still ongoing, and ceasing to use aluminium is being reassessed.

CASE

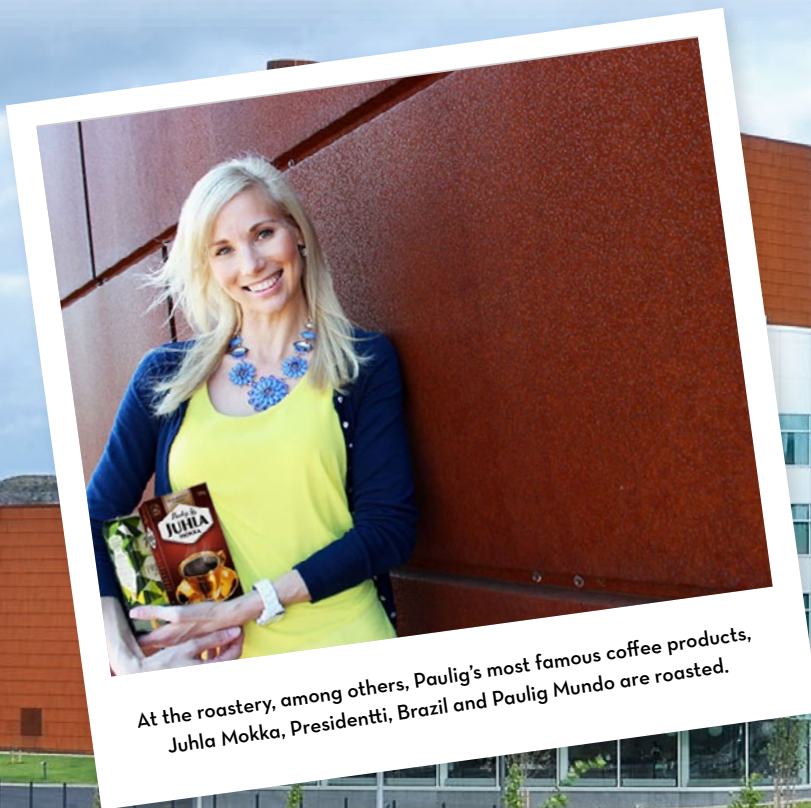
100 million packets of coffee are roasted with Finnish biogas

Paulig is drastically reducing the carbon footprint caused by production. Starting in August of 2015, all coffee roasted in Vuosaari, Helsinki, approximately 100 million packets per year, will be produced with Finnish renewable Gasum biogas.

Paulig is Finland's first coffee roaster that has started to use biogas in its coffee roastery. Along with the change, the carbon dioxide emissions of the Vuosaari roastery have been

reduced by nearly 2,700 tons per year, which is the equivalent of the annual emissions of approximately 1,300 cars that run on petrol. In the past, the energy source of the Vuosaari roasting facility was natural gas.

The Vuosaari roastery produces 42 million kilos, or 100 million coffee packets of coffee, per year. At the roastery, among others, Paulig's most famous coffee products, Juhla Mokka, Presidentti, Brazil and Paulig Mundo are roasted.



At the roastery, among others, Paulig's most famous coffee products, Juhla Mokka, Presidentti, Brazil and Paulig Mundo are roasted.

“Taking care of the environment is an important focus area in Paulig’s corporate responsibility work. It is already apparent in the operations of the Vuosaari coffee roastery, as energy-efficient processes, the usage of wind power, and in the reduction of the amount of waste. Now, we want to increase our usage of renewable energy sources by roasting our coffee with biogas,” says Elisa Markula, Managing Director of the Paulig Group’s Coffee division.

Gasum biogas is produced from biodegradable waste. Biogas is refined to be like natural gas, and the implementation of its use does not require additional investment in equipment.

Biogas is sold to industry, heat and power production, for stove usage in homes and restaurants, as well as for fuel for road traffic. Biogas is a Finnish biofuel, which is always produced from fully renewable raw materials, which is fed into the gas network from Espoo, Kouvola and Lahti, as well as from Riihimäki, as of 2016, from a new biogas plant.



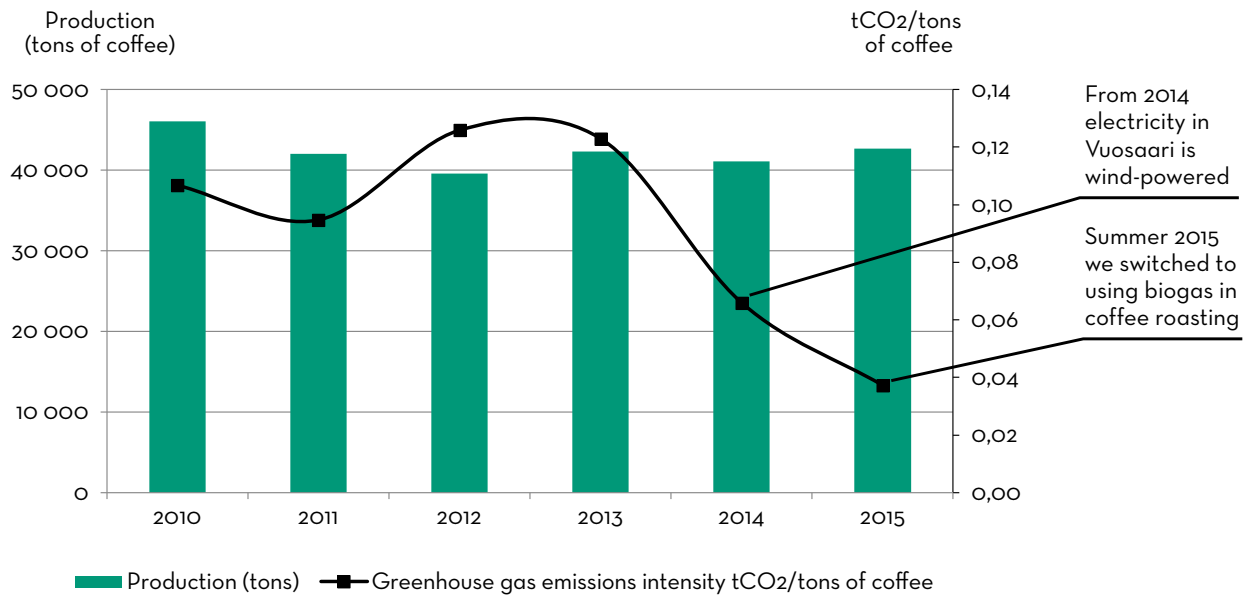
The carbon dioxide emissions of the Vuosaari roastery have been reduced by nearly 2,700 tons per year after the transition to biogas.



The usage of renewable energy has drastically reduced the carbon footprint of Paulig.

Figures and results of our work

The coffee production and greenhouse gas emission of the Vuosaari roastery



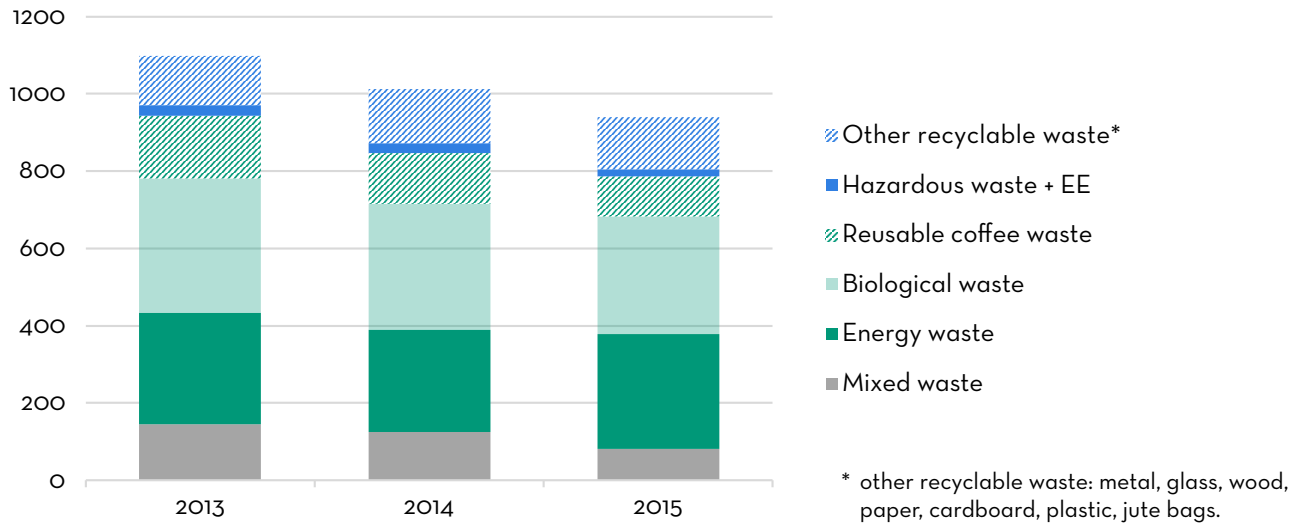
The energy consumption of the roasting facilities and coffee production.

	2013	2014	2015
Energy consumption per produced ton (kWh/h)			
Vuosaari	629	611	594
Tver	1 768	2 023	1 736
Energy consumption (kWh/h)			
Vuosaari	26 606	25 065	25 348
Tver	10 170	11 733	10 969
Total	36 776	36 798	36 317
Coffee production (t)			
Vuosaari	42 281	41 055	42 682
Tver	5 751	5 799	6 319
Total	48 032	46 854	49 001

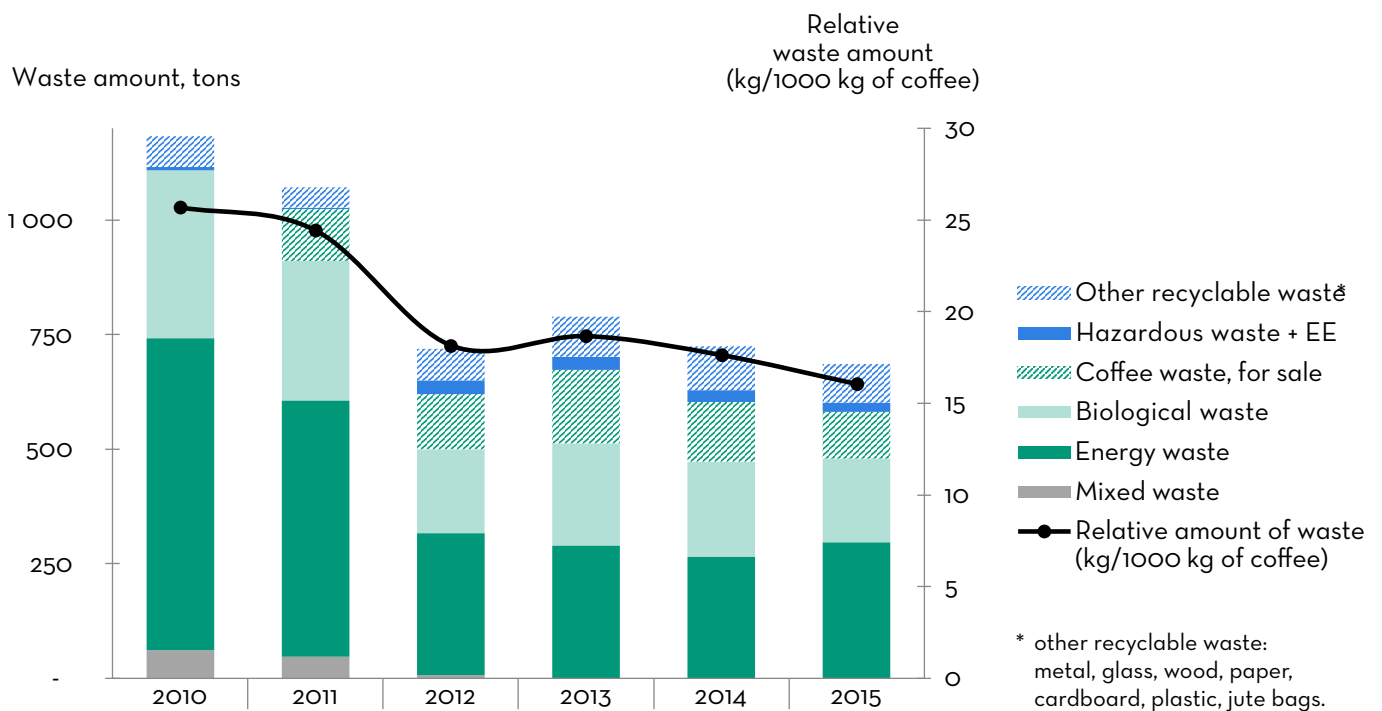
The consumption of packaging materials at the Vuosaari roasting facility

	2013	2014	2015
Packaging materials (kg/ton of coffee)	49.6	49.4	49.3
Corrugated cardboard and paper (tons)	720	705	721
Plastic (tons)	1 379	1 325	1 384
Total (tons)	2 099	2 030	2 105

Roasting facility waste amounts (t) 2013–2015



The development of waste amounts at the Vuosaari roasting facility



*Paulig's coffee
is the most desired
in Finland*



Products and services

Responsibility and coffee origin are of interest to consumers

Consumer interest in corporate responsibility, products' origin and safety as well as production methods is constantly increasing. In particular, young consumers actively seek information on these themes. Changes to actual consuming habits are reflected slowly, however, and the consumption of certified coffee, for instance, has remained moderate.

Consumers consider Paulig to be one of Finland's most responsible companies. In an annual survey on company reputations and responsibility (TNS Gallup), Paulig has often placed in the top positions. In the 2015 survey, Paulig came in second place. Additionally, in the Finnish food industry company comparison, Sustainable Brand Index 2015 - Paulig placed ninth.

CLOSER TO THE CONSUMER ON SOCIAL MEDIA CHANNELS

Today, consumers expect a quick response from companies to contacts and in addressing



Paulig's ambassador of good coffee, Paula, is active on Twitter, Instagram and Snapchat, among others.

current issues. Paulig has actively developed its communications and dialogue opportunities with its consumers, especially on social media channels, such as Facebook, Twitter and on the customer service blog on Paulig's website. Additionally, Paulig's ambassador of good coffee, Paula, is active on Twitter, Instagram and Snapchat, among others. An ever-increasing share of communications with Paulig is performed through these channels.

The openness created by social media has made consumers more demanding, also in questions of responsibility and sustainability. Vague answers are not sufficient; companies must be prepared to answer consumers with a higher level of detail. Also, matters which are present in the media often prompt questions and discussion, which Paulig strives to participate in, actively and quickly. At Paulig, this requires strong teamwork, between consumer service and experts.

In consumer contacts, information is often requested on coffee producers and conditions in production countries, the proper way to store coffee, various coffee preparation methods, packaging labels and recycling opportunities and the health effects of coffee. The consumers provide Paulig with valuable feedback, and offer product development ideas and wishes.

The consumer service blog, which has been published since 2014, has proven to be a popular channel for customer guidance. In the blog articles it is possible to dive deeper into different topical issues and give more in-depth information. This is also a good way for other interested persons, in addition to individual consumers, to find out about various matters. On page 42 there is an example of an article published on the customer service blog on December 2015 which was prompted by a rapid increase in the number of consumer questions related to pesticides used in coffee cultivation, and the possibil-

ity of chemical residues in the end product itself.

EMPLOYEE AMBASSADORS FORM A NEW METHOD OF COMMUNICATING

Paulig wants to actively communicate with its external interest groups through social media channels. To do so, a lot of new content is required, which cannot be produced by the efforts of traditional communications and marketing teams alone. This is why Paulig wants to encourage its employees to talk about their work and their subjects of interest, through various channels. Employee ambassadors have been enrolled from various areas of Paulig, among others, from marketing, finance and sourcing, and coffee experts from the Paulig institute.

For example, Paulig's coffee buyers travel to the countries of origin and discuss their sourcing trips, both on the website and Instagram, (read the story on page 16). These trips provide us with interesting picture material that can be

In Finland, the most well-known Paulig products are, among others, Juhla Mokka, Presidentti, Brazil and Paulig Mundo coffees, as well as the cold coffee beverage Frezza. On the Russian and Baltic markets, the most popular products are Presidentti and Paulig Classic, as well as the Paulig espresso products.



shared on social media, as well as information, for example, on how the coffee crop matures, and other subjects which interest Paulig's customers. Without the efforts of the employee ambassadors, the production of such materials would be difficult without huge expense.

HIGH-QUALITY COFFEE BREAKS

The coffee services offered by the Paulig Professional to hotel, restaurant, café and office sectors have been developed to answer consumer needs and wishes. Additionally, new coffee usage destinations outside of the home are food stores, car dealerships and clothing shops, for example, which want to offer coffee to their customers. Traditionally, a lot of coffee has been consumed at the workplace, but increasingly, employers want to focus on quality in addition to quantity. Quality coffee creates a positive mental image and acts as a company's business card, both internally and externally.

In addition to quality coffee, the responsibility of the coffee is increasingly important to customers. Both companies and public sector organisations want a coffee supplier that can respond to these demands. For example, many of Paulig's clients want to stand out, and offer their own roasting blends, or coffees which have certain certifications. Responsible thinking, as well as the individuality trend, have become more pronounced, increasing along with the popularity of special coffees and small roasteries. At Paulig, the challenge to responsibly produced coffee has been met, and smaller, special batches have also been produced for customers. According to a corporate image survey, performed in 2015 by Taloustutkimus, Paulig Professional proved to be the most desired partner for supplying coffee in Finland.

CONTACTS ARE LISTENED TO CAREFULLY

Paulig actively listens to consumer wishes, through the utilization of regular research, testing, customer service and social media channels, as well as the close monitoring of the popularity of various products. The renewal of Brazil coffee was



Responsible thinking along with the popularity of special coffees and small roasteries has made the individuality trend more pronounced.

implemented by listening to the wishes of young people, in particular, based on broad consumer research, as well as taste testing. The renewed Brazil was released in the spring of 2015.

Each consumer contact is important to Paulig. All contacts are processed and answered. Regarding complaints, we always send a product sample to the coffee laboratory or production for investigation. When the reason has been clarified, we answer the consumer in writing, and send a coffee reimbursement. Clarification requests of coffee matters or other questions are performed through the channel selected by the consumer.

During 2015, almost 4,800 contacts were made in Finland (2014: 4,900), including the Baltic countries' complaints. In Russia, approximately 1,500 contacts were made (2014: 873). The current majority of contacts are made through social media channels, and the usage of these channels has also increased in Russia. Every year, a large number of consumer, customer and partner groups visit the Vuosaari roastery. Of the contacts made to the consumer service, 53% were related to quality and 47% were guidance requests, product development ideas and other feedback. Most complaints are made regarding the taste of the coffee and matters related to packaging.



What? Is there poison in my coffee?

The Paulig customer service blog, 1 Dec. 2015

While growing coffee, fertilizers and various pesticides are often used. The usage of these substances is a significant expense for the farmers, so they strive to keep the amounts used very moderate. We, through the International Coffee Partners collective (ICP), are a part of projects which teach the farmers methods to further reduce the amount of chemical fertilizers, through alternative methods. For example, the composting of the mass accrued during the processing of coffee berries produces natural fertilizer, which also means less biological waste is produced.

The coffee tree is, depending on its variety, quite susceptible to various mould diseases and insect pests. With good agricultural practices alone, diseases and damage caused by insects can be reduced, which in turn reduces the need for pesticide usage. Through ICP, these good agricultural practices are being actively distributed in coffee-producing countries.

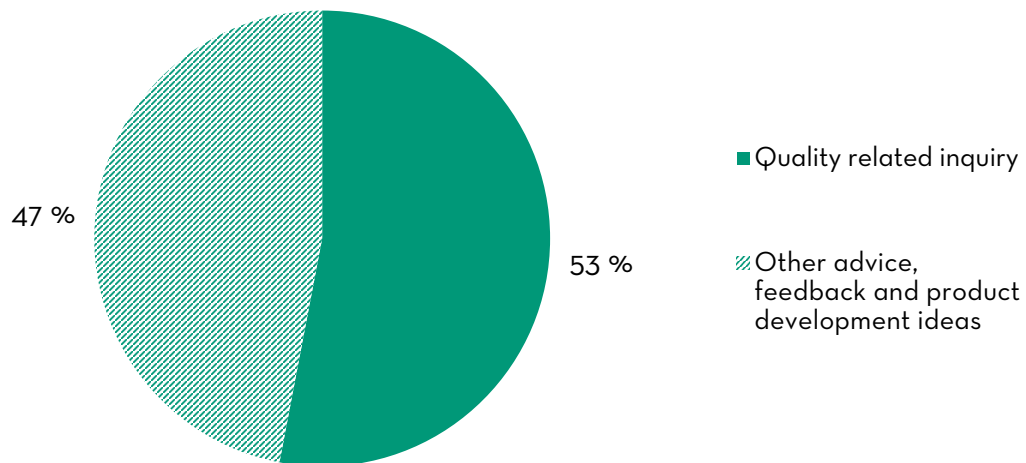
Chemical pesticides and fertilizers are still being used in some areas, however. Fortunately, the coffee bean itself is protected inside of the coffee berry, so the absorption of the pesticides acting on the outer surface of the plant is unlikely. The Finnish Customs Laboratory investigates all incoming green coffee to clarify possible residual pesticides, to be sure. Also, at the roastery, our own coffee laboratory performs tests systematically, both on green and roasted coffee, to ensure product safety.

Enjoy the great taste of your coffee care free!

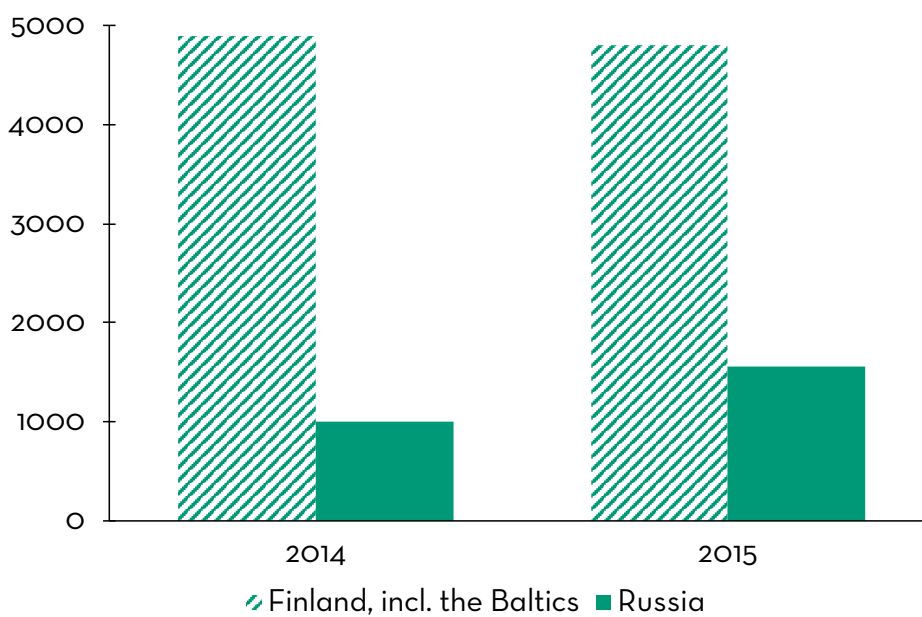
*With regards,
Kaisa from consumer service*

Figures and results of our work

Contacts to consumer service in 2015



Contacts to consumer service (no.)



The goals and results of our sustainability work

EACH YEAR, WE ESTABLISH GOALS FOR OUR SUSTAINABILITY WORK: FROM THIS TABLE, YOU CAN SEE OUR GOALS FOR THE YEAR 2015, COMPLETE WITH THEIR REALISATION, AS WELL AS THE GOALS ESTABLISHED FOR 2016.

● Goal achieved ● Partly achieved ● Unfinished

A motivated, committed and healthy personnel

Goal 2015	Result		Goal 2016
The improvement of the result of the TellUs Pulse questionnaire (AA)	AA+	●	The improvement of the TellUs People Power Index result above the European median level, min. AA+
The result of the Leadership Survey, 3.2	3.3	●	The results of the Leadership Survey (min 3.0-max 3.5)
100% of regular employees have completed all 3D development and goal discussion portions	100 %	●	3D development and goal discussions have been established as practice, and no separate goal will be set for them in 2016.
The observation and reporting on occupational health and safety risks. 50 observations per year in Vuosaari, and 30/year in Tver	A total of 56 observations	●	A total of 120 observations in the Coffee division.
The prevention of work accidents, and their related work absences.	LTIF grew	●	The common goal is 0. In 2016, the accident goal is 5 in the Coffee division. The accident frequency goal is 10

We will reduce our environmental impact

Goal 2015	Result		Goal 2016
5% reduction of all energy usage per produced coffee tonne	Vuosaari -3 % Tver -14 %	●	5% reduction of the all energy usage per produced tonne of coffee, per roastery
5% reduction of the total waste amount per produced tonne of coffee	Vuosaari -9 % Tver -6 %	●	5% reduction of the total waste amount per produced tonne of coffee, per roastery

All of Paulig's sourcing is responsible

Goal 2015	Result		Goal 2016
Coffee traceability to farms 60% and co-ops 95%	Farms 40 % Co-ops 89%	●	Traceability goals will not be established for the year 2016, since its development is linked to the development of the verification of green coffee purchasing.
20 % of all coffee is certified and/or 4C-verified	20.3 %	●	40% of all green coffee is verifiably responsible and traceable.
Investments in development projects to support farmers, in countries of origin	164 349 Eur	●	Investments will be continued in development projects to support growers, expansion of + 1 country and project.

Safe and high-quality products, which consumers want to buy and use

Goal 2015	Result		Goal 2016
Number of product complaints in Finland below 14 complaints/ million kilos of coffee, in Russia under 3.7.	Finland 15.3 Russia 5.9	●	Vuosaari 14 (min 10.5 -14) Tver 5 (2-5)
Good Manufacturing Practices (GMP)-index 3.8/5	Vuosaari 3.8 Tver 4.3	●	GMP 3.8 (min 3.8 – max 5.0)
Paulig among the three best food industry companies (TNS Gallup)	Second (2.) place	●	Paulig among the three best food industry companies (TNS Gallup) and top 5 (Sustainable Brand Index)

Corporate responsibility and ethical principles training

Goal 2015	Result		Goal 2016
Ethical principles training for all new employees and supplemental training for other Coffee division personnel	14 % of new permanent employees performed the ethical principles e-learning. As supplemental training, the "path to trust" game was released on the internal intranet	●	The integration of ethical principles training in the orientation of new employees 100%.

Key figures of responsibility - Paulig Coffee division

FINANCE

The production of financial added value, and distribution (mil. Euros)

Financial year	2013	2014	2015
Produced direct financial added value			
Net sales	322.6	319.0	346.3
Interest and other financial income	6.0	1.3	2.1
Divided actual value			
Wages and salaries, indirect costs and fringe benefits	25.8	26.8	28.1
Raw material expenditure	171.9	196.6	225.0
Interest and other financial expenditure	7.7	3.5	2.7
Investments	2.9	14.2	2.7

PERSONNEL

Personnel number, by country (situation as of 31. Dec. 2015*)

	Personnel	Distribution (%)
Finland	310	52.0
Russia	164	27.5
Estonia	45	7.6
Latvia	20	3.3
Lithuania	29	4.9
Sweden	21	3.5
Norway	7	1.2
Total	596	100

*incl. active + inactive amounts

Leadership and development of skills

	2014	2015
Leadership survey (scale 1-4)	3.1	3.3

Personnel figures 2015

	Finland	Russia	Estonia	Latvia	Lithuania	Sweden	Norway	Coffee division total
Permanent (%)	89	94	95	100	100	100	100	92
Temporary (%)	11	6	5	0	0	0	0	8
White collar (%)	68	64	98	100	100	100	100	74
Blue collar (%)	32	36	2	0	0	0	0	26
Women (%)	39	31	39	26	17	26	14	35
Men (%)	61	69	61	74	83	74	86	65
Average age (years)	41.5	33.9	37.4	34.3	35.1	40.9	53.1	38.7
Average period of employment (years)	11.0	2.8	5.6	1.7	4.7	2.1	1.8	7.3

Personnel turnover

	Finland	Russia	Estonia	Latvia	Lithuania	Sweden	Norway	Coffee division total
Hiring (%)	71	179	12.5	42.1	14.8	15	28.6	12.8
Leaving rate (%)	1.2	0.7	0	0	0	0	0	0.8
Retired	1	0	0	0	0	0	0	1

Accidents and absences

	2013	2014	2015
Number of accidents*			
Vuosaari	2	5	10
Tver	0	0	1
Accident frequency ** (LTIF)			
Vuosaari	5	9.4	17.4
Tver	0	0	5.6
Sickness absence rate			
Vuosaari	2.2	3.2	3.1
Tver	1.8	3.3	2.2

*The number of work accidents = work accidents causing at least one day's absence, not including commuting accidents.

**Accident frequency LTIF = number of work accidents causing at least one day of absence/one million worked hours

THE ENVIRONMENT

Coffee production (tons)

	2013	2014	2015
Vuosaari	42281	41055	42682
Tver	5751	5799	6319
Total	48032	46854	49001

Energy and water use at roasteries

	2010	2013	2014	2015
Total energy consumption (MWh)				
Vuosaari	31134	26606	25065	25348
Tver		10170	11733	10969
Total		36 776	36 798	36 317
Energy efficiency (kWh/tonne of coffee)				
Vuosaari	676.6	629.3	610.5	593.9
Tver		1768.3	2023.3	1735.9
Total		765.7	785.4	741.1
Water use (m³)				
Vuosaari		*	8621	9027
Tver		987	1 028	994
Total			9649	10021
Efficiency of water use (m³/tonne of coffee)				
Vuosaari			0.21	0.21
Tver		0.17	0.18	0.16

* In water consumption measurements during 2013 in Vuosaari, mistakes were discovered afterwards, which is why the information in question cannot be reliably attained.

Energy consumption at Vuosaari and Tver (MWh)

	2013	2014	2015
Natural/biogas			
Vuosaari	13 498	12 403	13 219
Tver	8 334	9 848	8 777
Total	21 832	22 251	21 996
Electricity			
Vuosaari	10 196	10 060	10 213
Tver	1 836	1 885	2 192
Total	12 032	11 945	12 405
District Heating			
Vuosaari	2 912	2 602	1 916
Total of all forms of energy	36 776	36 798	36 317

Emissions to air (tons) Vuosaari

	2013	2014	2015
CO ₂	6280	6417	1595
Hydrocarbons	28	28	9
CO	138	141	34
NO _x	5	4.37	2.48
SO ₂	0	0.03	< 0.2 below the definition value

*2015 figures are based on performed verification measurements, as well as calculation-based emissions caused by energy usage for carbon dioxide emissions figures. The figures of earlier years are based on the theoretical calculation of the production process emissions estimates, as well as dust measurements and the safety coefficient 1.05. The reported CO₂ emission figures also included biogenic CO₂, released by the beans during roasting, which is not included in GHG emissions. In the 2015 carbon dioxide emissions, the focus has been on reporting the greenhouse gas emissions, and emissions resulting from energy usage have been noted.

Waste (tons)

	2010	2013	2014	2015
Mixed waste				
Vuosaari	61.7	0	0	0
Tver		144.4	125.4	81.7
Energy waste				
Vuosaari	679.9	289.6	264.5	296.2
Tver		0	0	0
Biowaste and coffee sold to instant coffee production				
Vuosaari biowaste	366.4	223.0	208.0	182.9
Vuosaari coffee sold to instant coffee production		161	129.7	102.5
Tver biowaste		124.7	118.2	122.7
Hazardous waste (Electronics + other hazardous materials)				
Vuosaari	7.3	28.7	26.9	19.4
Tver				0.01
Other recyclable waste (metal, glass, wood, paper, cardboard, plastic)				
Vuosaari	67.6	87.3	95.1	84.4
Tver		39.3	45.5	50.0
Waste total*				
Vuosaari	1182.9	789.6	724.2	685.4
Tver		308.4	289.1	254.4
TOTAL	1182.9	1098	1013.3	939.8
Amount of waste in relation to production (kg/tonne of coffee)				
Vuosaari	26	19	18	16
Tver		54	50	40

*Incl. coffee sold to instant coffee production

Packaging material usage for coffee packaging (Vuosaari)

	2013	2014	2015
Renewable materials (kg/tonne of coffee)	17.0	17.1	16.9
Non-renewable materials (kg/tonne of coffee)	32.6	32.3	32.4
Packaging materials (kg/tonne of coffee)	49.6	49.4	49.3
Corrugated cardboard and paper (kg)	719 957	704 714	720 968
Plastic (kg)	1 378 864	1 324 939	1 383 994
Total (kg)	2 098 821	2 029 653	2 104 962

SOURCING

Coffee sourcing

	2013	2014	2015
Sourced green coffee, tot. (t)	55 150	51 996	53 300
Sourced green coffee, certified/verified (t)		3 375	9 700
Investments in development projects to support the farmers in the countries of origin (EUR)	163 334	163 532	164 349

Coffee purchases per country 2015

Country	%	Country	%
Brazil	52.9	Vietnam	1.6
Colombia	26.3	Nicaragua	1.6
Kenia	2.8	Costa Rica	1.4
Ethiopia	2.1	Tanzania	1.2
Guatemala	1.9	Others	8.2
		Total	100

PRODUCTS AND SERVICES

Product complaints/million kg of coffee

	2013	2014	2015
Vuosaari	11.4	14.0	15.3
Tver	11.7	3.1	5.9

Contacts to consumer service (no.)

	2014	2015
Finland, incl. the Baltics	4 894	4800
Russia	1 007	1558

GMP-index (result/target)

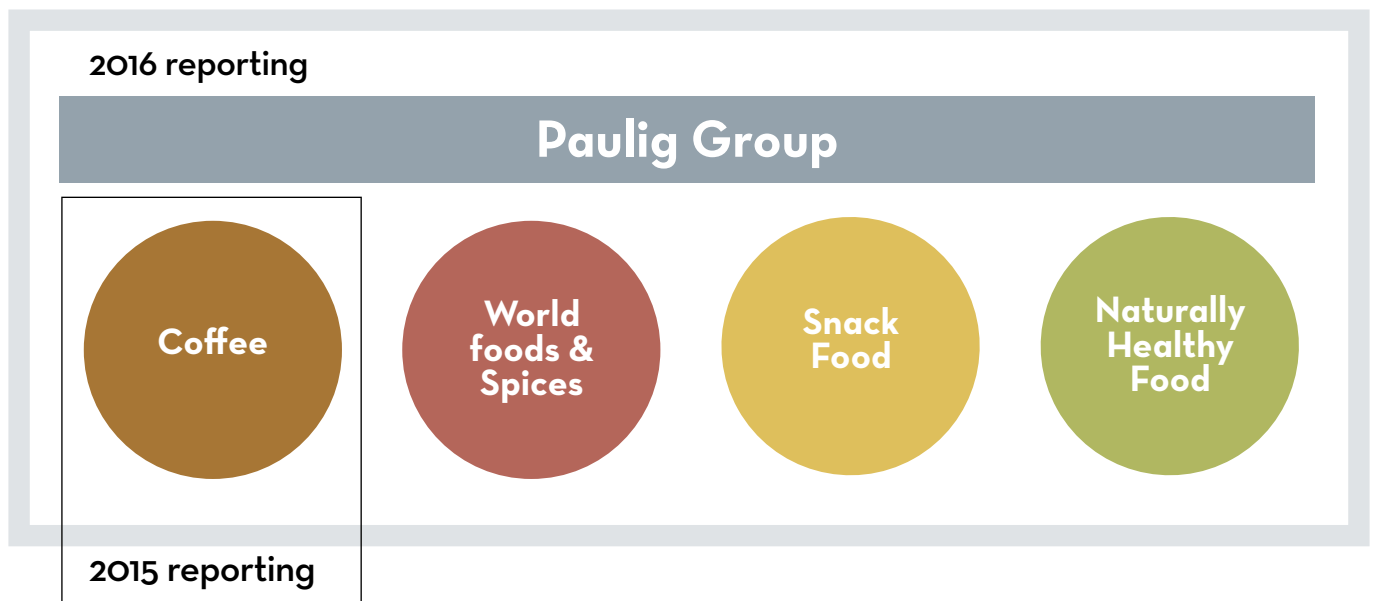
	2015
Vuosaari	3.8/3.44
Tver	4.3/3.44

The GMP index calculation changed from the beginning of 2015, so the results are not comparable to previous years.

Reporting

Paulig's Coffee division has reported annually on its responsibility, since the year 2003. The reporting is focused on significant sustainability themes, which are the responsible sourcing of green coffee, personnel well-being, environmental matters of production, as well as product safety. In its reporting, Paulig utilises the Global Reporting Initiative (GRI) G4 guidelines. The reporting period is the financial year from 1 January – 31 December 2015.

The reporting scope for the years 2015 and 2016



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OUR MEMBERSHIPS IN ORGANISATIONS

GS1 FINLAND OY

GS1 is an international, unbiased, not-for-profit organisation, with the goal of creating shared standards and practices between industry and trade agents. www.gs1.fi

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. www.etl.fi

FINNISH BUSINESS & SOCIETY

The goal of the network is develop cooperation between the private and public sectors to promote socially and financially sustainable business. www.fibsry.fi

THE FINNISH ASSOCIATION OF MARKETING, TECHNOLOGY AND CREATIVITY MTL

MTL is a central organisation of companies offering marketing and communications expert services, the members of which help companies and collectives, with their expertise, to achieve their marketing and communications goals. www.mtl.fi

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

The 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. The goal of the roastery association is to provide Finns with up-to-date information on coffee, coffee culture, coffee production and processing. www.etl.fi, www.kahvi.net

FINNISH PACKAGING RECYCLING RINKI LTD

Legislation requires companies to ensure that the packaging materials they have produced for the market are used in a beneficial manner. A company may take care of their producer's responsibility for the packaging materials by joining the packaging industry producer's collective. Rinki and the producer's collectives organise the recycling of the materials in a manner meeting established Finnish legislation goals for packaging materials, in Finland. <http://rinkiin.fi/our-operations/>

THE FINNISH PACKAGING ASSOCIATION RF

The association coordinates packaging industry information and relations activities, publishing activities as well as training. www.pakkaus.com

THE FINNISH PLASTICS RECYCLING LTD.

The company is a plastics industry production collective. www.suomenuusiomuovi.fi

INTERNATIONAL COLLABORATION

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

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

4C - ASSOCIATION

4C's goal is to further the sustainable development of coffee production. 4C members are coffee farmer organisations, coffee export and import companies, coffee industry representatives and NGOs. The organisation has created the 4C Code of Conduct guideline, which aims to establish basic requirements for the sustainable development of coffee farming. www.4C-coffeeassociation.org

SPECIALITY COFFEE ASSOCIATION OF AMERICA (SCAA)

Members of the specialty coffee association include cafés, roasteries, coffee export companies and importers. www.scaa.org

SPECIALITY COFFEE ASSOCIATION OF EUROPE (SCAE)

Europe's specialty coffee association aims to develop the appreciation of specialty coffees, increase knowledge about them and further their sale, as well as add to information and the know-how of those working in the field. www.scae.com

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
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Exploring Great Taste

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