



Sustainability Report 2018

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Welcome to explore Paulig Group's sustainability report
This report covers the sustainability work of Paulig Group in 2018. In the report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. For more information, please contact Paulig Group's Sustainability Director Fredrik Rosenholm: fredrik.rosenholm@paulig.com.

CEO's review

I started in the position of Paulig CEO in June 2018. From the very first moments on, it was clear that I had joined a company with very passionate people and a true commitment to running the business in a sustainable way.

Looking back at the previous year I feel extremely proud of many excellent achievements. For example, all our production in Finland and Sweden now runs on biogas, we have taken big steps in packaging development and we have continued to develop and innovate new products to exceed consumers' expectations.

However, one long-term goal was achieved in 2018 that has required huge amounts of work and commitment. In 2014, Paulig made a promise that all of the coffee beans used by the company would come from verified sustainable sources by the end of 2018. This promise was kept and Paulig became one of the first large roasteries in the world to exclusively use sustainably sourced coffee beans. This milestone makes me very proud as it has a huge impact on the whole coffee value chain – from plant to cup.

Taking sustainability to a concrete level

In December I had the unique opportunity to visit our partnership programmes in Uganda, Kenya and Tanzania. I got to see how our sustainability work comes to life and what results are achieved through long-term work and collaboration.

We have supported nearly 100,000 coffee farmers through our international partnership programmes. Farmers are equipped with new tools and educated about better farming practices and technologies. The work done through these programmes has a huge impact on the farmers' lives, wellbeing and livelihood.

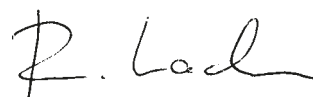
I want to emphasise that today sustainability work has to be fully embedded into our business strategies – there are no separate sustainability projects. In recent years, companies have begun to understand sustainability on a whole new, concrete level. Seeing the tangible results of our partnership programmes supports our decision to commit to sustainability in the whole chain.

"Today sustainability work has to be
fully embedded
into our business strategies – there are
no separate sustainability projects."

Ambitious goals to direct action

Work around sustainability is never finished. Our new Group level sustainability strategy is a work in progress and will be launched during 2019. We've set ourselves ambitious goals' but we work hard every day to achieve them.

Working with brands and products that people love is a true source of inspiration for me. I believe Paulig's brand portfolio responds to what people are looking for both today and in the future and I am very excited to be a part of our quest for exploring great taste.



Rolf Ladau
CEO
Paulig Group



Highlights of 2018

Social responsibility



We reached our target of **100% of our coffee** coming from sources verified to be **sustainable**. This means that the coffee we buy is either certified (UTZ, Fairtrade, Organic) or from our partnership programmes assessed against the Paulig Code of Conduct for Suppliers.
[>> Read more](#)

In November 2018, we launched a wellbeing programme called **FeelGood@Work** with the focus on the physical, mental and social wellbeing of all Paulig employees. The target of the programme is to increase the work ability and quality of life of all employees.
[>> Read more](#)

We are collaborating with Save the Children in India to **support children's education** in a three-year project. After one year, over 50% of the children identified as not going to school are now studying and 3000 children already enrolled at school get access to a safe and conducive learning environment.
[>> Read more](#)

Environment



In January 2018, Paulig Foods started **purchasing biogas instead of natural gas** for all of our Swedish factories. This means that the spice factory in Mölndal and the tortilla factory in Landskrona are using only renewable energy. All our roasteries in Finland also run on 100% biogas.
[>> Read more](#)

Paulig is the first coffee roastery in the world to use **renewable materials in coffee vacuum packages**. By the end of 2018, nine Paulig coffee products were packed in material made from 45% renewable, plant-based materials.
[>> Read more](#)

Paulig Foods division has **decreased food waste by 24%** in 2015–2018. As a result of a collaboration with Swedish research foundation Chalmers Industriteknik, the division is now executing an action plan in order to decrease food waste even more efficiently.
[>> Read more](#)

Consumers' health and wellbeing



We continued **decreasing the sugar and salt** content of our products. Since 2014, Paulig Foods has reduced the yearly amount of salt by 250 tons and sugar by 507 tons. This includes the 2018 reduction of 16 tons of salt and 9 tons of sugar.

We are promoting **vegetarian and plant-based options** and making these choices easier to make for our consumers. For example, Gold&Green Pulled Oats products are a great alternative to meat, Risenta's wide selection is entirely vegetarian and Santa Maria's meal concepts offer an increasing amount of vegetarian recipes.

In April 2018, Paulig established an incubator for future innovations and ventures in Stockholm. **PINC is a greenhouse for radical innovation** in and around topics of the food industry – with the focus on taste, health & wellbeing, sustainability and experiences.
[>> Read more](#)

Areas for improvement

Social responsibility



Our goal is to have zero accidents. In 2018, there was a **30% increase in risk observations** compared to the previous year and the increase in 2016–2018 was 283%. In order to build a strong and proactive safety culture at Paulig, safety is and will be a special focus in the upcoming years.

[>> Read more](#)

Environment



We are continuously developing our packages to be as environmentally friendly as possible without compromising on quality. Changing materials is a long process that involves changes in e.g. sourcing, production and product development. Paulig Coffee has **a goal of using 100% renewable materials in all coffee packages by 2025** and Paulig Foods has a target of having only recycled, recyclable or renewable packaging by 2025.

[>> Read more](#)

We use **100% renewable electricity in 7 out of 10 own operation sites** (factories and warehouses). In Tver, Russia, renewable energy is not currently available. In Belgium, we will shift to renewable electricity by 2020.

[>> Read more](#)



About Paulig Group

Paulig Group is a family-owned international food company founded in 1876, known for its high-quality brands and services. Our business is divided into three divisions: Paulig Coffee, Paulig Foods and Paulig Snacks. Well-known brands include Paulig, Santa Maria, Risenta, Gold&Green and Poco Loco. 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 70 countries. Currently, 58% of the Group's sales are in the Nordic countries and 42% in other markets. At the end of 2018, the Group had over 2000 employees in 13 countries, and its net sales were EUR 907 million. The company is headquartered in Helsinki, Finland.

Changes in the Group's structure and operations in 2018

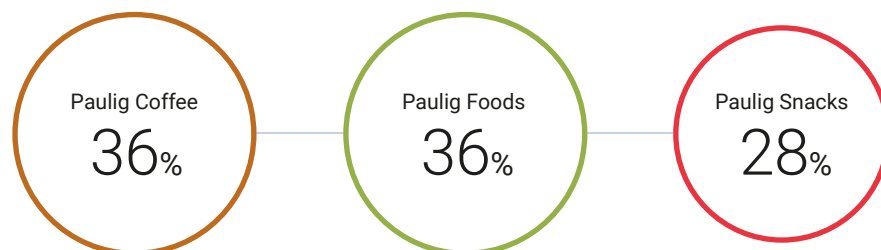
- Robert Paulig Roastery Ltd was merged with Gustav Paulig Ltd.
- The World Foods & Flavouring and Naturally Healthy Food divisions were merged as the Paulig Foods division. The new Paulig Foods division includes the Santa Maria and Risenta brands as well as the Gold&Green brand in the Group's current operating countries except Finland.

The economic impacts of Paulig Group

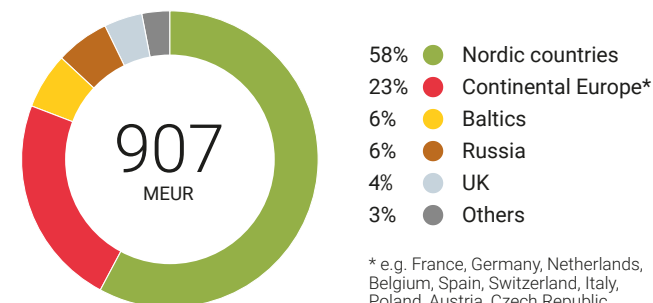
Paulig Group operates globally and has direct and indirect financial impacts on the economies the Group operates in. Direct

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.

Net sales per division, 2018



Net sales per market, 2018



Economic value created and distributed 2018, MEUR



Our tax payments

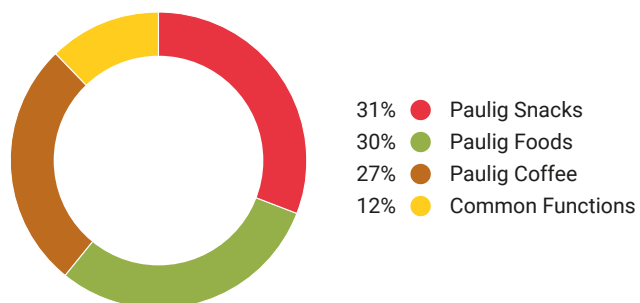
In 2018, the direct income taxes paid were EUR 19 million, of which approximately 57% was paid in Finland, 34% in Belgium and 9% in other countries we operate in. In addition to direct income taxes, we contribute to society in the form of pension and social security contributions, payroll taxes, value-added 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.

About our tax strategy

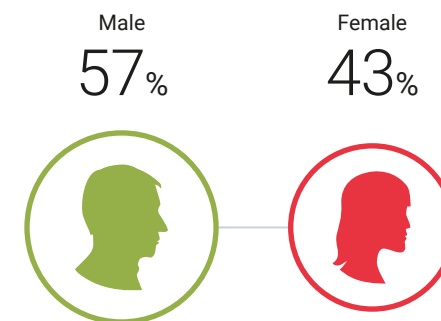
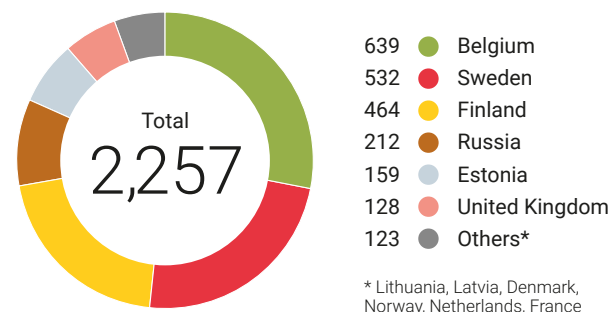
Our principle is to pay the right amount of tax legally due in the right jurisdiction. We observe all applicable rules and regulations in all the countries we operate in and follow the rules set by the appropriate authorities. Our transfer pricing is based on the global Transfer Pricing Guidelines for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

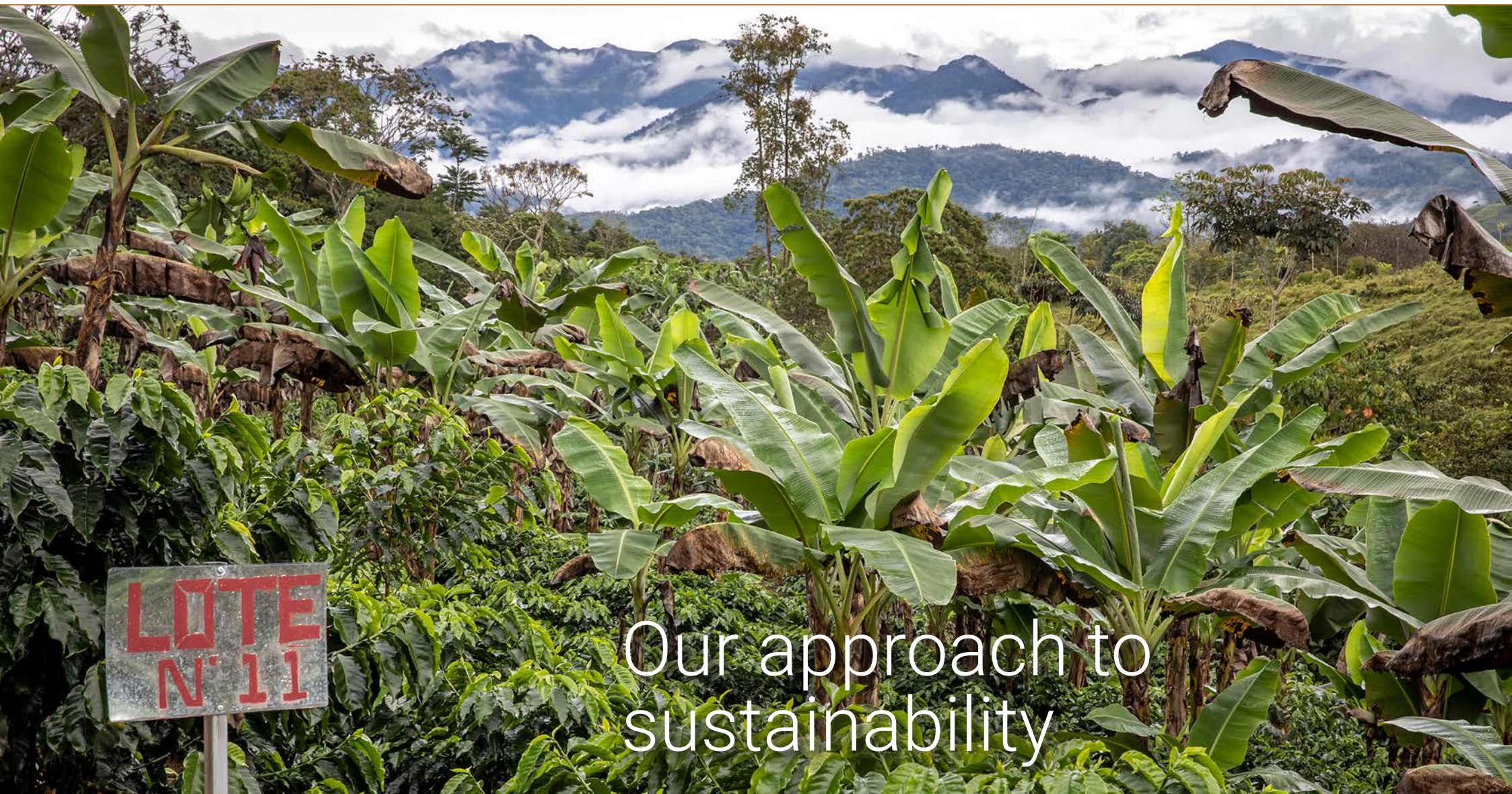


Personnel by division in 2018



Personnel by country 31.12.2018





Our approach to sustainability

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



Key areas in our sustainability work

Paulig Group's sustainability work focuses on the areas which are important to our stakeholders, society and the environment and where we can have the greatest positive impact or minimise our negative impacts through our own actions and collaboration. The focus areas in this report are based on a materiality analysis conducted in 2015 and reviewed and updated in 2017.

The sustainability focus areas that steer our work towards 2020 are:

1. Fostering social responsibility

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

2. Caring for the environment

- Energy and climate action
- Resource efficiency with focus on waste, packaging materials and water
- Sustainable agriculture and environmental sustainability in the supply chain

3. Supporting consumers' health and wellbeing

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

As many of the key topics cover a scope much beyond Paulig Group's own operations and influence, there is a pressing need to actively collaborate with external partners.

Developing our sustainability strategy

In the last few years, we have taken determined steps on our journey of becoming a Group with a shared vision and strategy and common ways of working throughout our divisions in all countries we operate in. This progress also led us to develop a common sustainability programme for the whole Group, which will be launched in 2019.

Our focus areas for sustainability



Thus far, most efforts at Group level have been put into developing an ethical business culture, leadership skills, energy efficiency and a sustainable supply chain. Moving forward, our new sustainability strategy will set a stronger agenda for us to do our part in combating climate change, enhancing circularity and supporting sustainable lifestyles through pure products that are produced in ways that respect the environment and human rights in the supply chains.

In parallel to the Group sustainability strategy, Paulig Foods division developed and launched its strategic sustainability goals in late 2018 to address division-specific topics at a more detailed and practical level. The division's sustainability focus areas are care for the environment, healthy & sustainable lifestyles and social responsibility. Paulig Coffee division also has its own sustainability goals. In addition, all our brands are now analysing how they can better contribute to sustainability and society.

Commitment to UN Sustainable Development Goals

In committing to the Sustainable Development Goals Paulig recognises the role we play in helping to ensure the UN Sustainable development goals are met. In 2018, we identified 5 main SDGs we have an impact on. The goals that we have recognised as most relevant to our business are further emphasised in our sustainability work and we are committed to promoting them throughout our value chain.



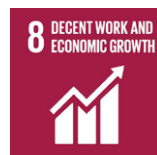
The most important SDGs that Paulig Group supports



We collaborate with our suppliers in the origin countries to promote sustainable agriculture. For example, Paulig Coffee has established partnership programmes in coffee origin countries to support the farmers in sustainable and profitable farming. Paulig Foods is contributing to this goal through acting as a sponsor for the Swedish social supermarket Matmissionen which sells food that may go to waste with very discounted prices.



We are constantly reducing the salt and sugar content of our products without compromising on taste. We offer a wide selection of vegetarian recipes and provide a plant-based protein, Pulled Oats, with which consumers can easily replace animal protein in their daily meals. We want to encourage people to make healthier choices for themselves and for the planet and offer products, recipes, concepts and services to support consumers' wellbeing, health and sustainable lifestyles.



We hold ourselves to high standards when it comes to the working conditions and the wellbeing of our personnel. In our supply chains we ensure our suppliers comply with our Code of Conduct and labour laws and that wages are paid on time, in accordance with legal stipulations, including remuneration for overtime. Through partnership programmes, Paulig Coffee helps coffee producers increase the profitability of farming, and thereby promotes the continuity of coffee farming and the wellbeing of the entire coffee growing community. Together with our partners, we have already supported nearly 100,000 coffee farmers.



We review our suppliers prior to selecting them, conduct audits and collaborate closely with them to do our part to build responsible value chains. We ensure our products meet food safety and quality standards and that sustainable sourcing principles are followed in our sourcing processes. Sustainability is at the core of our packaging development. Paulig Coffee has a goal of using 100% renewable materials in coffee packages by 2025. Paulig Foods has set a target of having 100% recycled, recyclable or renewable packaging by 2025.



Paulig is in the process of establishing science-based targets to reduce our greenhouse gas emissions and have a common climate ambition as one company. 7 out of 10 of our own operation sites run on renewable energy. We are committed to reducing our environmental impacts and are working in close collaboration with farmers to help them adapt to climate change.

Managing sustainability

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

Ethical and sound practices

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

Our daily work is guided by Group level policies and divisional management systems:

- **Paulig Group Corporate Governance**
- **Paulig Group Code of Conduct for Suppliers** (renewed in 2018)
- Paulig Group Enterprise Risk Management Policy
- **Paulig Group Modern Slavery Statement**
- Environmental, Food safety and Health and safety management systems

To ensure the implementation of our ethical principles and related policies, we have a mandatory ethical principle e-training for all employees. The goal is to ensure awareness and to bring sustainability into practice of processes and daily work. In addition, people working in sourcing, quality management and sustainability functions are trained to ensure consistent evaluation of the social and environmental work of Paulig Group's suppliers.

How sustainability is organised in the Group and divisions

At Paulig Group, the ultimate responsibility for our sustainability work belongs to the Paulig Group Management Team. The CEO and the Board of Directors review and approve the policies and main sustainability initiatives and goals. Planning, developing and implementation of the sustainability work is done on Group level by the sustainability team. The team that is led by the Sustainability Director identifies priority areas and implements common objectives in the Group's operations.

Continuous sustainability work is embedded in the divisions. The sustainability managers coordinate, follow-up and develop

A new tool for employees to voice their concerns

To improve our employees' possibilities to raise possible concerns on our practices without fear of reprisals, we have launched a whistleblower channel internally in 2019. The whistleblowing service is offered in six languages and the reporting is anonymous. The possible irregularities or misconducts are evaluated and investigated and the cases are handled by the organisation's whistleblowing team.

"To ensure the implementation of our ethical principles and related policies, we have a mandatory **ethical principle e-training** for all employees."

sustainability matters. The divisional sustainability programmes are based on the Group-level program.

Working against corruption

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

There is a dedicated section for avoiding conflicts of interest in the training.

In addition, our previously-mentioned whistleblowing tool provides our employees a possibility to raise concerns of possible misconducts in business.

Paulig's Code of Conduct for Suppliers addresses bribery and corruption and these topics are part of sustainability audits.





In 1927, Eduard Paulig made a nearly six-month trip to coffee origin countries in South and Central America. In 2018, his grandson, also called Eduard Paulig, visited coffee farms in his grandfather's footsteps.

"We strive to put sustainability even closer to our core business and ensure that **all the products we produce are sustainable**, of high quality and good for consumers' health."

Managing sustainability risks and opportunities

Safe and sustainable products

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

Climate change and the loss of biodiversity

In the longer perspective, climate change is the greatest risk from a variety of dimensions, in particular for the agriculture of sensitive

crops, such as coffee crops. As a result of climate change, the evolving and extreme weather conditions such as drought, heavy rains and heat waves as well as progressing water stress and decreasing biodiversity may cause severe impacts on the farming conditions and availability of our important raw materials. We are focusing our activities on promoting responsible sourcing and supply, efficient usage of resources in our own operations, and supporting consumers' efforts to mitigate their environmental burden.

Respecting human rights

The common sustainability risks in the food sector are related to human and workers' rights such as forced or child labour as well as fair remuneration and working hours. Production of some of our raw materials such as coffee and spices often relies on low-skilled, seasonal and migrant workers, which can further increase the risk of modern slavery. The risks exist especially in global and complex supply chains, like ours, and we have zero tolerance regarding any violations of human rights.

For Paulig, it is important to thoroughly understand our own

impacts on human rights, and how to approach and manage the risks. This work, including developing our human rights due diligence processes, will continue to be of special focus for Paulig Group.

Work safety

Health and safety is of high importance to us. In improving safety and averting risks, a proactive and preventative approach is the most relevant tool. This includes, for example, increasing our employees' safety awareness, assessing and observing risks systematically, and inspecting and auditing our safety practices.

Sustainable way of working

Good governance and ethical practices as well as a more sustainable offering is a great opportunity for us, both in terms of increased consumer preference and efficiency. Therefore, we strive to put sustainability even closer to our core business and ensure that all the products we produce are sustainable, of high quality and good for consumers' health. Hence, sustainability of all products and packaging materials should always be included when we are developing and planning new products.

Collaboration to address sustainability challenges

We believe that only by collaborating with our stakeholders and engaging them in dialogue can we address sustainability challenges and find solutions benefiting people and societies on a wider scale, as well as improving the future prospects of our business.

We cooperate with and get inspired by our customers regarding sustainability. For example, some retailers in Sweden and in Finland have set Science Based Targets for climate emissions. These ambitious targets are also pushing us forward, and for this



reason, we are now evaluating our value chain emissions and how we can set our own Science Based Targets.

To address these requirements deriving from the end of our value chain, we are developing actions and tools to support our suppliers in taking more responsibility in their own supply chains. As part of this work, we renewed the *Paulig Code of Conduct for Suppliers in 2018*. >> [Read more about our work with our suppliers in page 24](#)

In addition to direct co-operation, we are also carefully following up different forums and media to get both the weak and strong signals in our operating environment on our radar. This enables us to identify and understand changes in stakeholders' expectations and also to prepare for future risks and opportunities.

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

What are the Science Based Targets?

Science-based targets – the global effort to prevent the worst consequences of climate change.

Many companies are already putting a lot of effort into their climate work – but need ambitious emissions reduction targets that ensure the actions they take are aligned with the current climate science.

The targets adopted by companies to reduce greenhouse gas emissions are considered “science-based” if they are in line with the level of de-carbonisation required to keep global temperature increase below 2 degrees Celsius.

The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature (WWF).

>> [Read more about Science Based Targets](#)

#Ykkösketjuun – a campaign for a law on mandatory human rights due diligence

Paulig Group has been active in driving a national campaign in Finland, now also at the EU level, demanding mandatory human rights due diligence procedures for companies.

To ensure that human rights are widely taken into account in business throughout global supply chains, a campaign called #Ykkösketjuun was launched in Finland in September 2018. The campaign is calling for a Finnish law on mandatory human rights due diligence. #Ykkösketjuun is a unique cross-societal initiative: citizens, companies, trade unions and civil society organisations are all widely participating.

>> [Read more about the campaign](#)



CASE

Our stakeholders' expectations and our ways to engage

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.

Consumers first

Consumers expect great tasting, healthy and sustainable products and services they can trust. They also look for inspiration and advice. 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 and environmental impacts in their production. We strive to support the health and wellbeing of our consumers. >> [Read more on page 36](#)

Employees thrive in a strong, value-based company culture

Our employees appreciate our value-based company culture and that we are an employer that offers professional development and sustainable economy. >> [Read more about our work as a responsible employer in page 18](#)

Owners – for the next generation

We are a family-owned company, and our owners expect a long-term economic perspective and ethically driven business. They

“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.”



expect the company to grow and be successful in a sustainable way that respects natural resources and human rights. We strive to respond to these expectations in everything we do.

Customers – value creation

Our customers are our partners who sell our products to the consumers, e.g. in retail and food service industry. Customers expect us to provide sustainable products and services and create value with them. They expect transparency and a systematic way of managing and ensuring quality, food safety and environmentally and socially sound practices.

Support for our suppliers and local communities along the value chain

We utilise raw materials, resources, flavours and inspiration from cultures, societies and suppliers 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 co-operation with our suppliers and local communities is described in more detail [on page 24](#).

Social contribution

“We are all part of the collaborative effort, which is not only focused on ourselves and our company, but also on modern society, complete with its multifaceted forms of action.” – Eduard Paulig

Throughout our history at Paulig, we have always been committed to building a better future for the younger generation and contributing to important social initiatives. As a family-owned business, we want to look ahead and contribute to the wellbeing of society as a whole. That is why children and young people have always been at the heart of our corporate social responsibility initiatives.



New Children's Hospital in Finland

As a family company, Paulig wants to be involved in building the future and supporting the surrounding community. Children and the young are the most important target group for Paulig's societal contributions.

In the 1940's, Paulig participated in the funding of the hospital for children called Children's Castle. The "tradition" continued when Paulig donated EUR 1.5 million to the building of the New Children's Hospital in Helsinki, which was opened in 2018.

>> Read more about our participation in the New Children's Hospital project

CASE

Long-term collaboration bears fruit:

Santa Maria and Save the Children support children's education in India

India is the world's largest exporter of spices and a large proportion of spices is cultivated at small family farms. This makes it more challenging to control the entire value chain.

Paulig Foods division, including the Santa Maria brand, has been collaborating with Save the Children since 2004 to support children's rights. In 2017, a 3-year project with the goal of getting more children to study was initiated and just a year later, some great steps forward have been taken.

>> Read more about the project's achievements



Sustainability Director's review: When the sustainability and corporate agendas go hand in hand

2018 was yet another year of both sustainability achievements and a growing world-wide awareness of both planetary health and the need for accelerating action. The advancing evidence of climate change and the flood of scientific reports requiring immediate action in business and our consumption habits can no longer be addressed as a side note. Balancing corporate success and necessary sustainability advancements is a "challenge" we are eagerly grasping.

Companies are often confronted with the friction between the corporate agenda and sustainability necessities. To have profitability goals meet the sustainability targets can sometimes be challenging.

Beyond the fundamentals of sustainability policies, methodologies and targets to move the organisation to the desired place, the ultimate goal must be to ensure that the corporate growth strategy is aligned with the sustainability strategy.

This is why we in January 2019 read the EATLancet report about planetary diets with joy. This first integrated framework on environmental sustainability and health determines that healthy diets are a driver towards sustainable food systems. In simplified words, the required food production and consumption to meet the UN Sustainable Development Goals (SDGs) and the Paris Agreement would also be healthy* for humanity. As such, Paulig's portfolio of Gold&Green products made from Nordic-grown oats, Santa Maria World Foods concepts as well as Risenta's wide selection of products to support consumers in their shift to a plant-based diet is well aligned with sustainable diets. To successfully grow these categories and improve others is probably the best contribution we can have to society and the environment.

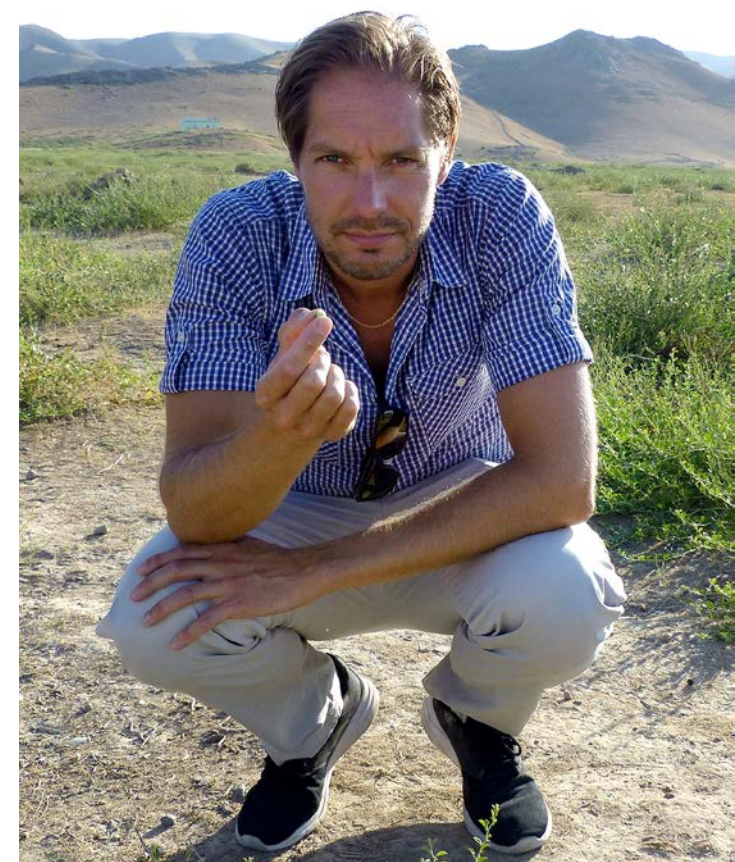
Much happened in 2018 regarding Paulig's sustainability work. Firstly, we achieved our goal of having 100% certified coffee or coffee sourced through our partnership programmes. While cer-

tificates are more widely understood, our partnership programs come from a farmer-centric perspective where coffee farmers receive support and training in business skills, good agricultural practices and sustainability. Beyond this and our responsible sourcing practices, we decided to address the risk of adverse human rights impacts when we joined the #Ykkösketjuun, a joint campaign of over 100 companies, civil society organisations and trade unions in Finland to call for mandatory human rights due diligence legislation for business.

In 2018, we also joined the unique initiative *Sustainable supply chain for food in Sweden*. Producers, retailers and WWF have partnered to define and increase sustainability performance for foods and to cooperate in minimising food waste. The clarity and toolbox that this partnership provides helps us to further incorporate sustainability into our product development and sourcing strategies.

Finally, incorporating the clear message of urgency in the IPCC report Global Warming of 1.5 °C released in October, we pushed the timelines in updating our environmental goals for the company. We promise our own operations to be climate neutral by 2020 and our packaging within the Foods division to be 100% recycled, recyclable or renewable. Within Paulig Coffee division, we aim to have entirely renewable packaging by 2025.

In the complex spectrum of sustainability challenges and opportunities, 2018 proved that Paulig has the opportunity to be both responsible and bold when we leap towards a future of sustainable business.



Fredrik Rosenholm, Sustainability Director of Paulig Group

* Scientific targets for healthy diets are based on the extensive literature on foods, dietary patterns and health outcomes, EATLancet >> [Read more](#)



① Fostering social responsibility

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



Nourishing a curious workplace culture

At the end of 2018, we employed over 2,250 professionals in 12 European countries. Our workforce is divided into three somewhat same sized divisions and into Group common functions. Almost 60% of our employees work at production sites located in Finland, Sweden, Russia, Belgium, Estonia and the United Kingdom.

Within Paulig Group we strive for shared human resource management and processes throughout all our divisions and countries we operate in. Yet, we still have some work to do in harmonising our ways of working, and our direction is towards one Paulig Group. We have also put a lot of focus on establishing a common working culture that nurtures growth, exploration and productivity.

With our Group-wide performance management, we aim to ensure that our strategy is successfully executed, and objectives met by aligning our personal ambitions and actions with those of the company. We also want to ensure that our employees have regular opportunities to discuss their performance and personal development.

Strengthening professional growth and team work

We put a lot of effort in strengthening our employees' capabilities, competences and skills by offering opportunities for knowledge sharing and competence development, especially through on-the-job learning.

In addition, we offer a number of development programmes and training opportunities, with a focus in 2018 on leadership development as well as sales and sourcing. In addition, we have internal educational programmes such as Taste Academy and

Bean Society to support and develop our employees' know-how and to share their passion for our products.

In 2018, we brought into use a new tool for team development and self-awareness. The idea of the tool is to help individuals and teams to perform at their best. The psychometric tool helps people understand their style, their strengths and the value they bring to the team and thus promotes communication and decreasing conflicts. Since the start in April 2018, over 100 employees have participated in the workshops.

During 2018, we launched a Group-wide onboarding programme that ensures that newcomers feel at home right from the start, get an efficient start to their Paulig journey and get well integrated into their team.

Living and celebrating our values

Our culture is based on our three values; Stay Curious, Strive for Excellence and Grow Together. They not only guide how we think and behave, but also influence the way we make decisions, both as individuals and as an organisation. We call it the Paulig Way.

We wish to recognise the individuals who live up to the values in their daily work, and award them yearly with a Value Ambassadors nomination. In 2018, we were pleased to announce 11 new Paulig Group Value Ambassadors. All these people are great embodiments of our values and they contribute to the strengthening of our company culture.

[>> Read more about our values here](#)

"We have put a lot of focus

on establishing a common working culture that nurtures growth, exploration and productivity."

Stay
Curious

Strive for
Excellence

Grow
Together



Encouraging explorative and disruptive leadership

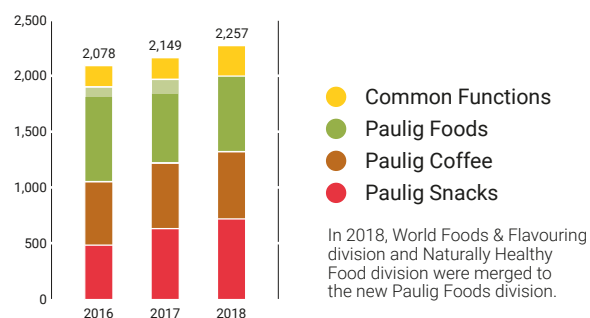
Leadership skills are a key factor for the success of the entire organisation. We are running our Paulig Way Leadership Experience development programme with the purpose of empowering managers to explore and innovate bravely, and to be able to coach and lead performance effectively. During 2017–2018, over 200 leaders in Paulig Group have participated in the coaching part of the programme.

Our efforts are already paying off, which we can see in our employee engagement survey. The main measure for following up our leaders' performance, the Leadership Index, has continued to increase and ended up at 74.6 in 2018, which is clearly above the European norm (68.9).

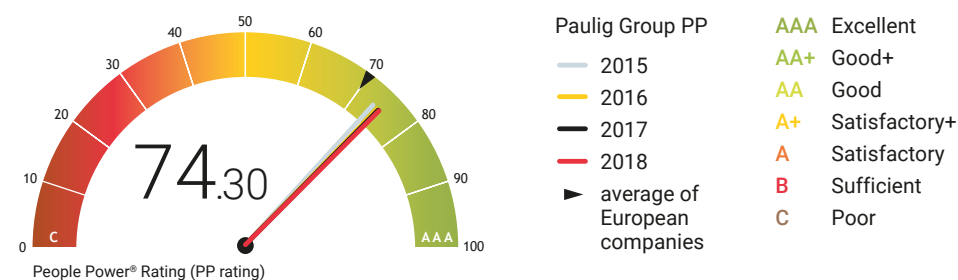
Committed and engaged employees – the most important ingredient

We consider engaged employees as the most important ingredients when building our company's success. We are strongly committed to bringing out the best in people, thus giving everyone the opportunity to unleash their potential and to contribute to our future success. We also believe it is important that Paulig employees feel comfortable with voicing dissenting opinions and concerns at the workplace.

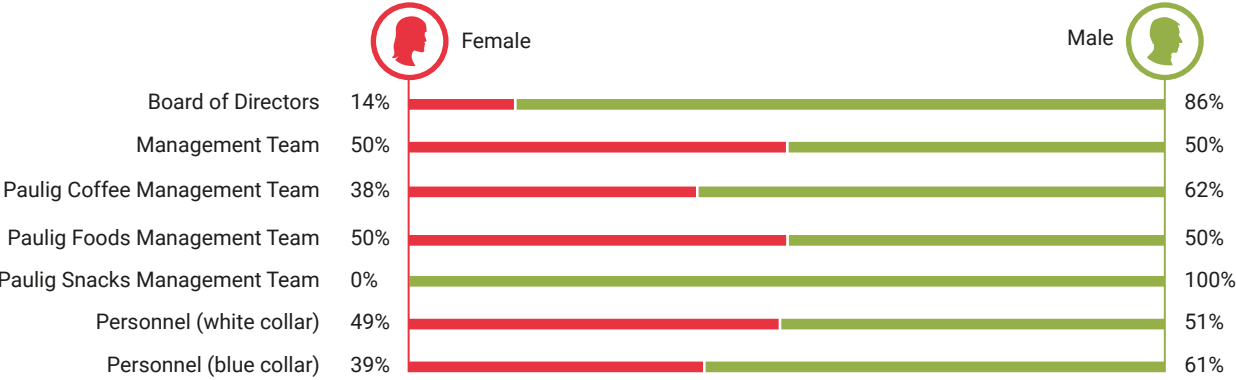
Paulig Group personnel 2016–2018



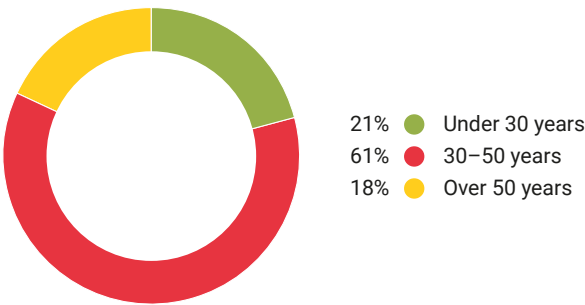
TellUs employee engagement survey



Gender distribution in Paulig Group in 2018



Age groups



We conduct a survey every year to measure employee engagement, commitment and quality of leadership at Paulig. The survey is not just a ritual we do, but rather a method to encourage employees to take a moment to think about and express their expectations regarding their job and the employer. One important sign of employee engagement is the response rate of the survey, which has been on an impressive level, over 90% during the last years.

The results of the surveys show that our engagement levels stay very strong within Paulig Group. Our employees know and live up to our values and especially the encouragement of innovative thinking has increased compared to previous years. Areas

where we still need to put more effort to are, for example, clarity in decision-making and clarity of team goals.

We celebrate employee engagement and co-operation also through our reward programme Spotlight Award, which allows anyone to bring forward good work they experience by their colleagues or managers. Over 150 people have been nominated for Spotlight Award since the launch in spring 2017.

Equity and justice form the basis for our work

In Paulig Group, we value every person as an individual and a professional, and expect the same from our suppliers and partners. The driving principles of our management and remuneration are equity and justice and we do not accept discrimination of any kind.

We base our recruitment decisions on a person's compatibility with work requirements and the work community, not age or gender. We promote equality through development and career planning so that women and men are on an equal footing in different groups of staff. We support a healthy balance of work and family life, and both genders have equal opportunities for the use of family leaves.

To ensure equal practices throughout our operations, we have systematically developed our processes related to recruiting, training and career development, performance management and rewarding. In addition we have increased communication about

“We celebrate employee engagement and co-operation through our reward program **Spotlight Award**, which allows anyone to bring forward good work they experience by their colleagues or managers.”



Ensuring a safe and healthy workplace

our ethical principles and developed an internal whistleblower channel to raise concerns of unethical behaviour.

We monitor the realisation of equality in our operations through regular compensation assessments, TellUs engagement, leadership and well-being indices, as well as through feedback from external audits and occupational health providers.

The formation and determination of individual pay or rewards within Paulig Group is never based on gender or other factors of diversity, but determined by the complexity of the work task and the performance at work. According to our latest wage survey, there is no unjustified pay gap between women and men performing the same or equivalent work.

Wellbeing starts from a healthy and safe workplace and employee health and safety is at the core of our sustainability fundamentals. We want to provide our employees with a safe workplace where the personnel can enjoy their work without risking their health and wellbeing.

We have been harmonising our health and safety management processes within the Group and launched the **Paulig Group Health & Safety programme** in 2017. The main ingredients in this programme are establishing a strong Safety First culture and promoting wellbeing both on individual and on the organisational level.

To make our Safety First culture visible and practical, we have,

for example, implemented a risk assessment programme for all our sites, which includes assessing both physical and psychosocial risks in our factories, warehouses and offices. We will continue with rolling out the Safety Culture roadmap during 2019.

Proactive approach to prevent risks

Health and safety have been of special focus throughout the Group during the last few years, with the ultimate target of zero accidents from 2020 onwards. In improving safety and averting risks, a proactive and preventative approach is the most important tool. This includes, for example, increasing our employees' safety awareness, assessing and observing risks systematically,

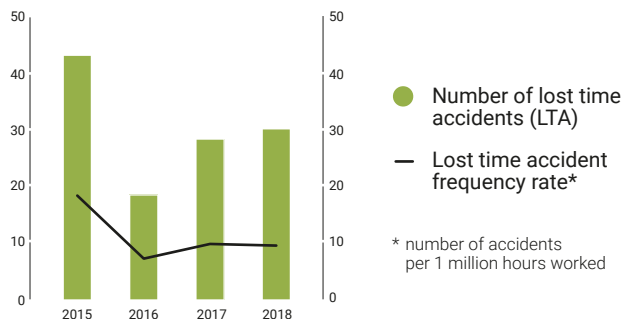
Paulig EuroForum for transparent culture

During 2018, we kicked off Paulig Group EuroForum (European Works Council) which serves as an important information and consultation body in strengthening our Group's common identity and culture. With EuroForum we aim to ensure appropriate information and dialogue between employees and top management concerning European-level issues within Paulig Group. The EuroForum will meet twice a year for the first two years and then start meeting up once a year.

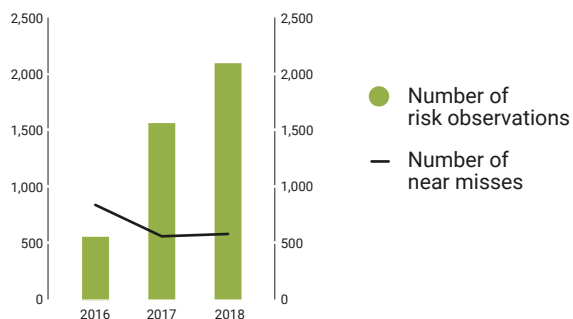
In the EuroForum meetings, the representatives can share employees' expectations and discuss the current topics with Group management. In addition, the Forum serves as a direct channel for top management to share the current status and high priorities of the Group, as well as the latest status of environmental, health and safety work to employees.



Lost time accidents and frequency



Risk observations and near misses



and inspecting and auditing our safety practices. We also encourage reporting on safety observations and implemented a transparent and accessible reporting system for all employees as well as our contractors and suppliers.

We are delighted to see that our efforts to improve risk awareness and behavioural safety, hence shifting our approach from reactive to proactive, are already paying off. Within four years, we have gained a remarkable increase in the number of risk observations and a clear trend of reduced number of near misses at our sites. We have also managed to reduce the number of accidents and the lost days, thus the severity of accidents, remarkably.

At Paulig Group, the most frequent types of accidents are related to slip, trip and fall situations at our production sites. For our white-collar workers, business traveling poses risks and we are working on to systemise our preventative actions for risks related especially to traveling around the world. We also provide occupational healthcare for all our employees to support our efforts to prevent ill health, sick leaves and retentions too early.

Promoting holistic wellbeing

Our recipe in promoting wellbeing for all employees includes, for example, the "FeelGood@Work" programme, launched at the end of 2018, to support the physical, mental and social wellbeing of all our employees. The programme will be supported and promoted through both common activities for the whole company and site-specific activities.

"Within four years, we have gained a remarkable increase in the number of risk observations and a clear trend of reduced number of near misses at our sites."



CASE

Paulig is the first major company in Finland to be awarded the new occupational safety certificate

Throughout its long history, Paulig has always invested in occupational safety and the continuous improvement of its operations.

In September 2018, Paulig Coffee division was certified to new ISO 45001 Occupational health and safety standard as the first major company in Finland. Later, we organised trainings about the new ISO 45001 standard in all our divisions.

>> Read more about our occupational safety work

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

The outcomes and results of our wellbeing programme are monitored in our yearly employee engagement survey TellUs.

We support our employees' wellbeing through various activities. In Belgium, we started to offer leasing bicycles as an alternative to leasing a car.



Keeping up with health & safety legislation

It is crucial to us to follow and comply with health and safety legislation and standards. With production sites in 6 countries and operations in 13 different countries in total, keeping up with changing country specific legislation and requirements and evolving standards keeps us busy.

We are putting a lot of effort into legal compliance. Currently we are developing tools to foresee and estimate the upcoming requirements, which would make it easier for us to identify our gaps already in advance.

Hiukset kokonaan peittävä suojapääahine
Headgear that covers hair entirely

Kuulosuojaimet (merkityillä alueilla)
Hearing protection (in marked areas)

Pitkähihainen suojatakki
Long sleeved protective jacket

Suojakäsineet (mikäli kynsilakkaa tai irtokynnet)
Protective gloves (if you wear nail polish / fake nails)

Peittävät housut / sukkahousut
Long legged trousers/stockings

Turvakengät ja sukat
Safety shoes and socks

VIERAILIJA
(tuotantolueella)

VISITOR
(in production area)

HYGIENIAVAATIMUKSET
HYGIENE REQUIREMENTS

Riisu korut ja keikot ennen tuotantotiloihin saapumista. Irtokynsien tai kynsilakan käyttäminen ei ole sallittua tuotantotiloissa.
Jewellery and watches must be taken off. False eyelashes, fake nails or nail polish are not allowed.

Henkilökohtaisten tavaroiden tuonti tuotantotiloihin ei ole sallittua (pois lukien matkapuhelimet).
It is not allowed to bring any personal belongings not related to work into the production facilities excluding mobile phones.

Tuotantotiloissa ei saa käyttää voimakasta hajusteita.
It is not allowed to wear strong perfume in production area.

Pese tai desinfioi kätesi.
Wash or sanitise hands.

“Safety is strongly present in our everyday work. The signposts at Paulig Coffee roastery remind also the visitors about safety equipment and hygiene instructions.”



Sourcing responsibly

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 and comprises raw material and traded goods suppliers as well as various service and logistics providers. In 2018, we had around 660 direct and 7,100 indirect* suppliers, and our purchasing volume was 673 million euros. Of this, the share of raw and packaging material and traded goods was roughly 466 million euros.

A significant share of our raw materials comes from countries that are classified as risk countries by amfori BSCI (Business Social Compliance Initiative). In these countries, problems related to human and employee rights are prevalent. In addition, climate change and water stress as well as the usage of pesticides cause risks to the environment and humans in these areas.

* Not a harmonised figure, includes duplicates

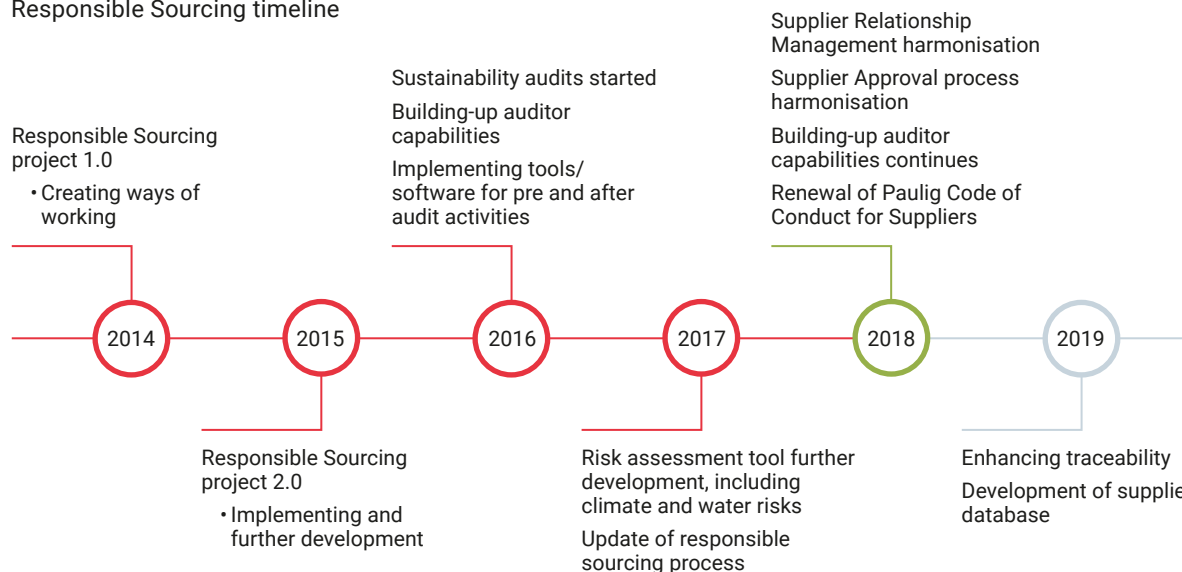
These topics are increasingly of concern for consumers and for us as a company. Therefore **Responsible Sourcing** continues to be one of our key areas and fundamentals of our sustainability work.

During the last years, we have been systemising and harmonising our responsible sourcing processes within the whole Paulig Group. This work includes, for example, developing our common risk assessments, supplier approvals and audit processes.

Managing supplier relationships

We value long-term relationships with our strategic suppliers. A mutual understanding of ethical and sustainability aspects and a common commitment to tackling the challenges are the foundations for our co-operation. Our values – *Stay Curious, Strive for Excellence and Grow Together* – encourage us also when co-operating with our suppliers.

Responsible Sourcing timeline



A Code of Conduct that makes sense

We renewed the Paulig Code of Conduct for Suppliers in 2018. The updated Code is more practical and requires all our suppliers to have an understanding of the human rights and environmental risks related to their own operations and supply chains. We also set a clear request for traceability regarding both manufacturing and origin of raw materials when using sub-suppliers in connection with a delivery to Paulig Group.

The Code stipulates the minimum requirements suppliers must abide by, such as safe and decent working conditions and compliance with national laws and regulations. However, we also recognise that achieving the standards is a process. Therefore, besides setting demands for our suppliers, we support and encourage them to continuously improve their operations and to realise the benefits of responsible practices to their own business.

>> [Read more](#)

In 2018, we worked to structure and harmonise Paulig Group's supplier relationship management. Alongside this, we developed our supplier approval processes, i.e. how we approve new suppliers for Paulig Group and renewed our supplier questionnaire, which enquires into both our suppliers and in some cases into their sub-suppliers' operations.

When approving new suppliers and co-operating with the existing ones, we evaluate the sustainability risks related to suppliers through country risk assessments, supplier self-assessments and audits. We always conduct a supplier risk assessment before starting collaboration with a new supplier and conduct audits of our suppliers regularly.

Responsible sourcing is about continuous learning

The common sustainability risks in the food sector are related to human rights such as forced or child labour, and labour rights such as fair remuneration and working hours. We respect human rights in all of our operations and support the protection of human rights through our raw material purchases, supplier co-operation and capacity building in the supply chain. We aim to avoid contributing to adverse human rights impacts and to also ad-

The home countries of coffee became my second home

Anna Vänskä, Sourcing Manager of Paulig coffee, spent a year exploring our coffee origin countries with our important strategic partner Volcafe.

Together with Volcafe, we run partnership programmes to support sustainable and profitable coffee farming. During the year, Anna visited over a hundred farms in eight countries where she participated in the everyday work of farmers and got to see how sustainability is ensured in practice in the origin countries.

>> [Read more about Anna's experiences](#)



dress the human rights impacts linked to our operations.

Our long-term relationships with suppliers help us to understand the human rights risks and other sustainability issues in our supply chains better. An important component of our responsible sourcing is to carefully study and understand the local circumstances and culture in the countries we source from, as the key

"Our long-term relationships with suppliers help us to understand the sustainability issues in our supply chains better."

sustainability risks can vary greatly in the supply chain, and for different raw materials.

This helps us to identify the most crucial and most prevalent sustainability topics in the sourcing area, also those that could be easily left unnoticed in the audits. For example, in the areas where migrant workers are commonly employed, it is important to focus on equal rights, fair remuneration and working hours, but also ascertain that all the workers are able to access and understand the safety instructions, even though they do not necessarily speak the local language. In order to mitigate the risk of modern slavery, we also check to ensure employees have not been required to make payments to employers or labour providers to obtain work and that they are not required to surrender their identification documents, for example.

We audit our direct high-risk suppliers regularly and we have



Audit as a tool to evaluate sustainability

Our supply chain stretches to numerous countries around the globe. Therefore, sourcing plays a key role in our sustainability work.

*We want to build long-term relationships and cooperation with our strategic suppliers. One focal way to ensure that we work with sustainable partners is visiting and auditing the suppliers in our origin countries. Sourcing Development Manager **Marika Korpilaakso** conducts audits in our origin countries regularly.*

>> Read more about Marika's work and what happens during an audit



chosen to have the audits performed mainly by Paulig's own employees instead of using third party auditors. The main reason for this is that we are aiming for more than risk mitigation. Our targets are to better understand the challenges in our supply chain as well as learn about and identify the opportunities for improvements. In addition, through conducting our own audits, we are able to deepen our relationship, build trust and co-operation with our suppliers.

By the end of 2018, we had audited 87% of all identified high-risk suppliers. In the audits, the main areas of non-compliance were related to occupational safety, supplier management, working hours and fair and equal treatment. The suppliers with non-compliances were requested to take corrective actions that we monitor until closure.

"Through conducting our own audits, we are able to **deepen our relationship,** build trust and co-operation with our suppliers."

CASE

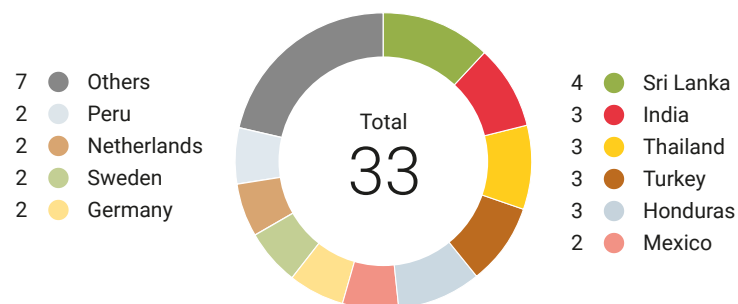
Collaborating with suppliers in India for long-term sustainability improvements

India is a major supplier of many raw materials used in Paulig Foods division's products including black pepper, chili, onion and garlic. The division has collaborated for years with two Indian suppliers, Jain and Jayanti, and the results of the collaboration are remarkable in terms of sustainability, profitability and quality improvements.

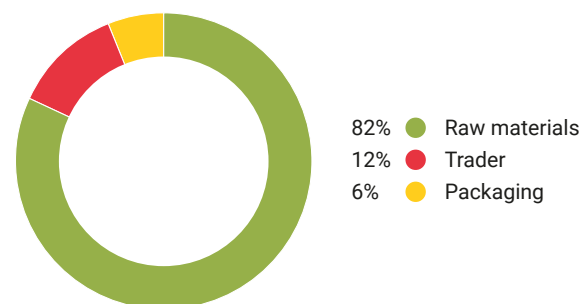
>> Read more about the improvements achieved in India



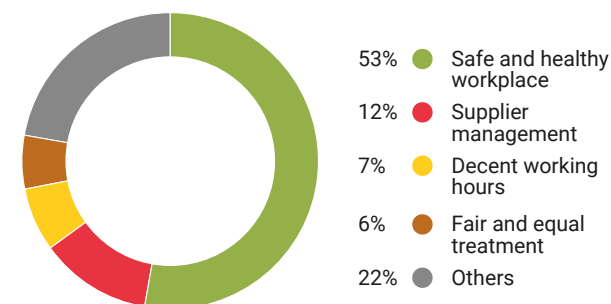
Number of supplier audits by country in 2018



Supplier audits by type in 2018



Audit findings, areas of non-conformities in 2018





② Caring for the environment

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

Understanding and managing our environmental impacts

The global food systems are facing considerable challenges as the basic conditions for the cultivation of food are affected by climate change and water stress. 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.

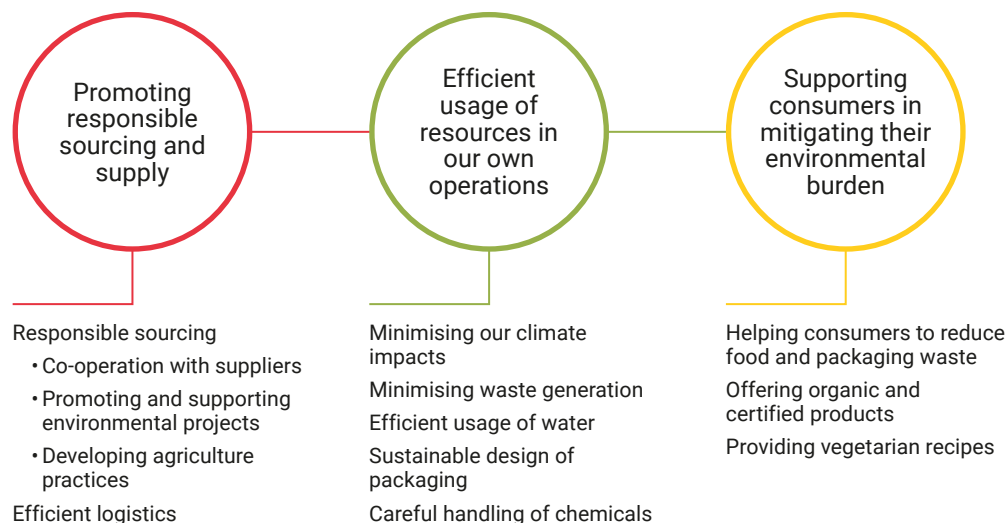
We consider environmental aspects in our decisions and daily activities and we are committed to reducing our environmental impacts through promoting sustainable agriculture and responsible sourcing, planning and developing our products and packaging carefully, using resources efficiently in our own operations,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

As our three divisions produce different end products varying from coffee to tortillas, and from pulled oats to muesli, and thus have different operations and supply chains, all of the divisions have their own environmental programmes to manage their main environmental impacts.

In order to align the environmental work and common targets across our divisions, we have established the Paulig Group-wide environmental programme, with focus on the main shared topics:

1. *Greenhouse gas emissions*
2. *Resource and material utilisation, including waste*
3. *Hazardous substances and chemical usage*

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



Minimising our climate impacts

We constantly strive to minimise our climate impact throughout our value chain. In our own operations – in factories, warehouses and offices – we can make the greatest impact by enhancing energy efficiency and increasing the usage of renewable energy.

Energy mappings and renewable sources

Energy consumption and intensity are closely monitored at all our production sites, and we conduct energy mappings to identify opportunities for efficiency improvements. For example, in our Snacks division, an energy plan is drawn up every three years in which we evaluate our energy consumption and determine an action plan for the energy saving measures for the next three years.

The Group-wide energy intensity (energy consumption related to production volumes), however, slightly increased in 2018 due to grown energy demand in building and maintaining the Gold&Green's Mölnlycke factory in Sweden.

As a part of our ambition to reduce our impact on climate change, all our production sites in Finland, Sweden, Estonia and Great Britain are purchasing 100% renewable electricity. In addition, the Paulig coffee roasteries in Finland, and from January 2018 onwards, Santa Maria factories in Sweden, are using biogas

instead of natural gas. This switch to biogas means that the greenhouse gas emissions have been reduced by 1,737 tonnes in Paulig Foods only from 2017 until 2018. In addition, solar panels were installed at our Porvoo roastery in Finland in 2018.

In addition, we are mapping our internal transports on divisional levels, and our target is to both reduce the fuel consumption as well as lower the emissions levels for our company cars. Our employees can also avoid travelling by holding virtual meetings and by working from home.

Thorough study of greenhouse gas emissions

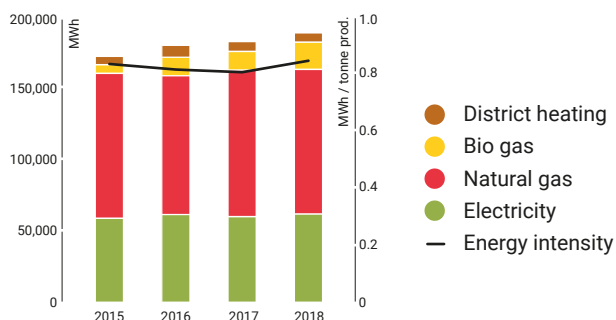
Paulig has made a commitment to reduce its carbon emissions by 20% between 2015–2020 for our own operations. The next phase is to set even more ambitious targets through Paulig Group's Climate Neutral project that will involve our entire supply chain. In order to truly understand and identify our greenhouse gas emissions, we have used external experts to study and assure our emission calculations. These results are used as an input as we will set the climate ambition level for Paulig to be in line with the universal 1.5 degrees cap target by 2030. We are currently evaluating our value chain emissions and how to set the Science Based Targets. >>Read more on page 13

Our Foods division also offsets the greenhouse gas emissions from its own operations through projects that increase the use of renewable energy in India. In addition, the carbon emissions of Risenta products from farm to store are offset with carbon credits purchased from two projects, one in Peru and another one in Mexico.

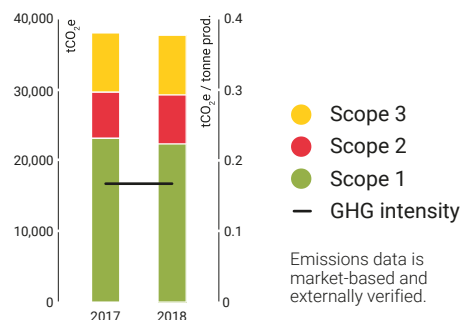
Paulig Snacks joined the Lean & Green programme in Belgium

Paulig Snacks division has joined the Lean and Green programme, a European programme sponsored by the innovation platform for the logistics sector in Flanders, Belgium. The programme rewards businesses that commit to improving the energy efficiency of their transport and logistics activities and cutting their CO₂ emissions. Paulig Snacks is committed to reducing its CO₂ emissions by 20% by the end of 2020.

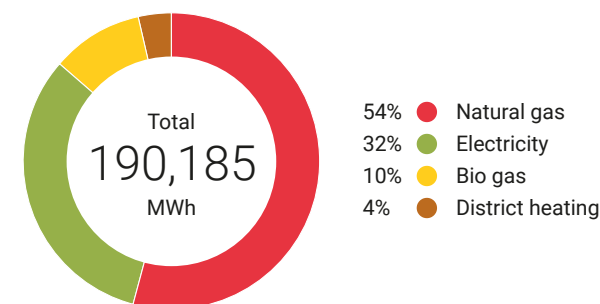
Energy consumption by source



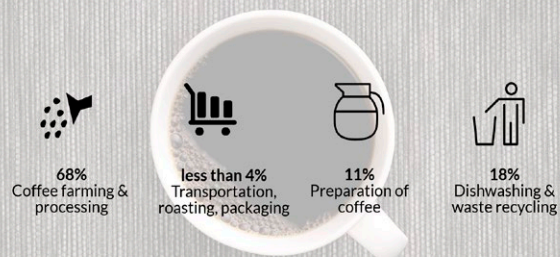
GHG emissions by scope



Energy consumption by source in 2018



The effect of the different stages of the coffee life cycle per one cup



* In the calculation example we have used an average of the data collected from a sample of farms in Brazil, Colombia, Honduras and Nicaragua delivering coffee to Paulig.

Almost 30 percent of the climate impact of coffee comes from the home kitchen

The majority of the carbon footprint of coffee production comes from the growing of coffee beans in the countries of origin. The second biggest impact on the climate is the coffee being prepared and enjoyed. Transport, roasting and packaging each represent only a few per cent of the environmental impact of Paulig coffees.

These are among the findings of a study on the climate and environmental impacts of Paulig coffee during its life cycle. The study was commissioned by Paulig and carried out by the Natural Resources Institute Finland (LUKE).

[>> Read more about the study](#)

Efficient utilisation of resources and materials

In our own operations, we constantly strive to reduce food waste and other waste, to increase reuse and recycling of waste and materials, and to reduce water usage and improve waste water quality.

Minimising waste and improving recycling

One of our top priorities in our factories is to minimise the amount of waste generated. Almost 70% of all our waste is bio-waste, mainly non-marketable and by-products deriving from our production, and most of it is recycled as animal feed or used for bio-energy 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 production, composted or used for biogas production. All our divisions have increased their waste recycling and improved the sorting of waste into separated fractions. As a result, 84% of our total waste is now recycled, and we have managed to reduce the amount of landfill waste year by year. In 2018, only 1.7% of our total amount of waste ended up in landfills.

Currently, our key actions to minimise waste and enhance re-use and recycling are, for example, to focus on managing out-

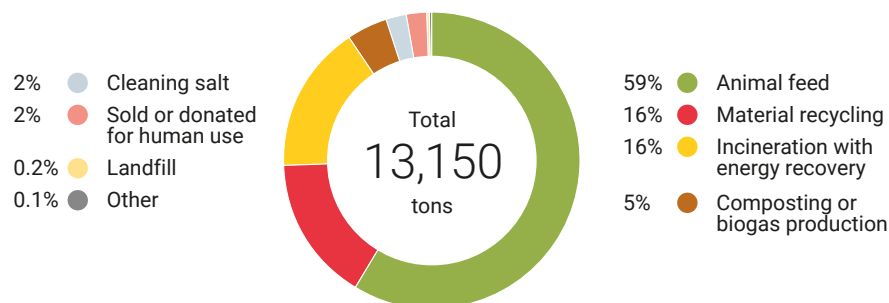
dated products along all divisional processes and further evaluate recycling opportunities for products and material waste. During 2018, we participated in a study by Chalmers University in Sweden, identifying ways to prevent and reduce food waste in our production.

Minimising food waste in Paulig Foods division

It is estimated that 1/3 of all the food produced goes to waste globally. The food industry is more and more interested in tackling this issue as food waste means significant costs and causes serious environmental impacts. Paulig Foods division collaborated with the Swedish research foundation Chalmers Industriteknik to get an action plan on how to reduce food waste.

[>> Read more](#)

Total waste by disposal method 2018



Total recycling rate 84%

Best practices for water management

The consumption of water in our production varies a lot between divisions and sites, depending on the type of end products. Whereas coffee roasting and spice blending processes do not require water, it is an important ingredient in, for example, tortilla and taco production. Water is also used in cleaning, but although we strive to reduce the water usage, we cannot risk food safety by minimising the usage of cleaning water. Therefore, we focus on using the right equipment and effective cleaning procedures to ensure the efficient use of water.

We are also taking part in initiatives to learn and implement sustainable water management practices. This work is not limited to our own operations but also expands to our value chain to identify the best ways of managing water in cultivation and processing in water stressed areas.

Designing sustainable packaging

Product packaging has a vital role in protecting the product from production via transportation and stores to consumers' kitchens.

Appropriate packaging keeps food fresh and in good quality, and thus helps in preventing food waste.

Currently, plastic waste is considered as one of the most critical pollutants adversely affecting wildlife, especially marine habitats. Plastic packaging, albeit versatile, lightweight and a moisture resistant solution, is a challenge for the entire food industry and we recognise our responsibility in designing sustainable packaging and take our role in helping to reduce waste seriously. For example, Paulig Foods has set new tough sustainability targets to replace 25% of plastic packaging by 2025, and of those left, 100% will consist of recycled, recyclable or renewable plastic. In addition, in 2018 we launched, as the first coffee roastery in the world, a renewable, plant-based packaging for coffee.

We are constantly striving to make our packaging as resource-efficient as possible, optimise the packaging weight and carefully choose the packaging materials to ensure its sorting and recyclability when it is empty – however without compromising on the function. For example, we have reduced the thickness of the Paulig coffee packaging laminates and reduced the amount



Paulig sets strong focus on packaging development

Our objective at Paulig Group is that all our packages are as sustainable as possible without compromising durability and quality. In 2018 Paulig made some major commitments to further develop the packaging of the products.

Our objective is that in 2025 all our coffee packages are made from 100% renewable raw materials. Within our foods portfolio we aim to reduce 30% CO₂ impact from packaging and replace 25% of plastic packaging by 2025.

>> Read more about our packaging development

CASE





of packaging material for Santa Maria tortillas. For Gold&Green products we are using trays made of recycled bottles and the sleeve cardboard is of recycled industry waste.

Packaging development is not always a straightforward route, but rather a learning path. For example, in 2018 we launched new Santa Maria spice jars with a new kind of a lid with larger openings to make it easier to pour the spice out, as well as pour it back if needed. The new jar is also easy to recycle, as separating the glass and plastic is more convenient than earlier. The renewal, however, rendered a lot of attention and consumer feedback as the jar was found inconvenient to use. As a result, we decided to change the larger opening to the sprinkler opening for some of the spices.

Careful handling of hazardous substances and chemicals

As part of our sustainability work we aim to minimise the usage of hazardous substances and chemicals in our own operations. We do not use hazardous substances and chemicals in any production but they are used in supporting processes i.e. maintenance and cleaning.

Any product intended for use at our sites goes through an approval process where the product itself and all included chemicals, and the related risks, are assessed.

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

"We aim to **minimise the usage of hazardous substances** and chemicals in our own operations."

The blend 2080 – A coffee without coffee

CASE

According to current calculations, there will not be enough coffee for everyone in 2080 for reasons such as climate change. If this happens, what will we drink?

Together with the Australian, internationally renowned coffee expert **Matt Perger**, Paulig developed Blend 2080, a coffee without coffee. The campaign sparked discussion about climate change – what should we all do so that we never have to make Blend 2080 again?

>> [Read more about the campaign](#)





Our responsibility for the environment extends to our supply chain

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

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

Paulig Group's Responsible Sourcing process includes environmental assessments and requirements for our suppliers, such as water and climate risk assessments and a detailed environmental follow-up in the supplier audits. [>> Read more about our responsible sourcing practices on page 24.](#)

We also participate in several international projects supporting environmentally sound farming and processing. For example, the Paulig Coffee division is taking part in the Coffee & Climate initiative that helps coffee farmers to adapt and prepare for changing conditions due to climate change. This collaboration is based on sharing scientific information and best adaptation practices for coffee growing openly across boundaries. The common goal is a bright future for coffee for everyone working in the supply chain, and the aim is to reach 70,000 coffee farm-

"Our business is strongly tied to raw materials that come from all over the world, and our continued success is based on the wellbeing of the environment and the people in our value chain."

Projects to set ambition levels and objectives for sustainability work

As part of developing the Paulig Group sustainability roadmap, we started projects called "Climate Neutral" and "Circular Vision" at the end of 2018. The targets of these projects are to set a clear ambition level and objectives for a circular business model with the environmental impacts kept to a minimum.

ers via Coffee & Climate projects by 2019.

Paulig Foods division participates in an industry initiative to support sustainable farming and water usage both in their own production processes and in their supply chains. The aim of this collaboration is to identify the best ways of managing water in cultivation and processing in countries facing increasing water challenges. For example, we collaborate with Jain and Jayanti, our suppliers in India, to reinforce sustainable usage of energy, water, fertilisers and pesticides.

Optimising logistics to reduce emissions

We are constantly working and co-operating with both our suppliers and customers to improve the efficiency of our freight transport, including route planning and selection of transportation methods. Optimised logistics and fully packed transport loads are important for us as we source our raw materials from all over the world and sell our products in more than 70 countries.

We have also developed our internal logistics. Both the Foods division in Sweden and the Snacks division in Belgium have invested in new distribution centres that improve logistics efficiency and reduce internal transportation.

We have set a roadmap for Paulig Group logistics and as a part of our Climate Neutral project we are currently mapping all our transports and establishing methods for emission reduction in the logistic processes.



③ Supporting consumers' health and wellbeing

Our mission is to Explore Great Taste and to ensure that we leave behind a sense of good taste. As a food and beverage company, we have a special responsibility towards the consumers who use our products. This includes ensuring product safety as well as taking health and sustainability aspects into consideration when developing our products. We want to support the wellbeing of people by offering products and inspiring more people to eat healthily.



Health and wellbeing in focus

Consumers have various expectations regarding the products they use and eat. Among the most topical issues are their own health and wellbeing, the origin and safety of the products, and concern about ethical and environmental aspects related to supply chain and production.

The demand for products with less sugar, salt and additives is considered one of the most important trends in food and drink. In innovating new products and recipes, we consider health aspects as well as ethical and environmental aspects early in the product development processes.

This also applies to our existing products, and we, for example, continue to reduce the amount of salt and sugar in many products like e.g. the Tex-Mex assortment and spice mixes. In addition, a number of additives have been replaced with herbs, spices and natural ingredients in our products, and since 2015 palm oil has been replaced with rapeseed and sunflower oil in all Santa Maria products.

We take our responsibility for consumers' health seriously and

strive to develop all our products to truly support healthy eating. For example, our Foods division has set a target to reduce salt and sugar contribution, so that the Santa Maria meal recipes contribute to maximum 30% of daily intake of salt (1.5g) and sugar (15g) per portion by 2021.

To accelerate our development and to explore the future of great taste, we have established the Paulig Innovation Incubator (PINC) to develop radical innovations.

Vegetarian options to promote healthy eating and reduce environmental impacts

Currently, there is a fast growing demand for vegetarian and plant-based products, as more and more consumers are looking for healthier and more environmentally sound diet options. To support consumers in this, we are providing them with both recipes and easy-to-use products for tasty vegetarian and vegan meals. We provide ideas and recipes for vegetarian food on our brands' websites and through social media, and we have launched, for

Food is the new rock 'n' roll

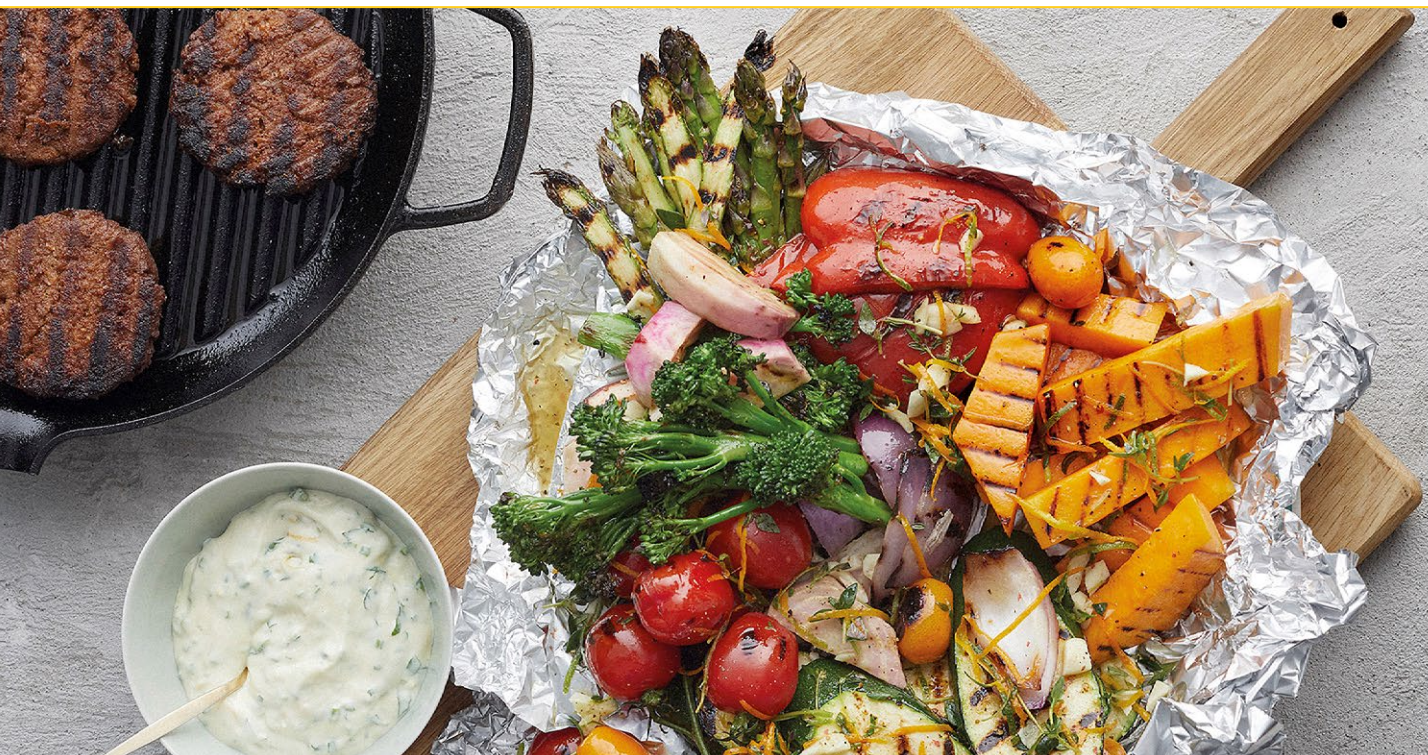
Paulig established an incubator for future innovations and ventures called PINC in Stockholm in 2018. PINC is a greenhouse for radical innovation in and around topics of the food industry.

Marika King, who is in charge of PINC, knows that people build their identity through their food choices today. People are looking for tailor-made solutions that fit their personal needs.

[>> Read more about Marika's thoughts on the future of food](#)

CASE





Pulled Oats – a tasty option good for both humans and the planet

Oats are among the healthiest grains on earth and give a big deal of nutrition on a small piece of land.

Our Gold&Green Pulled Oats have revolutionised protein-rich plant-based meals, without extensive environmental burden. Because oat grows all in the Nordic countries, we know it's made with care for the soil and workers, and requires minimal transportation.

The production of a Pulled Oats meal saves not only carbon emissions but also a remarkable amount of water compared to red meat dishes.

>> [Read more](#)



example, Risenatä meal mixes and Pulled Oats products, which are an easy way for consumers to replace meat in dishes with plant-based protein.

Paulig Foods division has set a target to double the vegetarian dishes within the meal concepts and to ensure all red meat recipes provided feature a vegetarian alternative by 2021. In addition to this, 50% of Paulig Foods recipes will be vegetarian.

Products from sustainable sources

Using products with certification, such as Organic, Fair Trade and UTZ, is important for many consumers, due to concern about their own health as well as about the environmental and social conditions in the origin of the raw materials. Paulig Group has an extensive range of certified products such as Santa Maria's spices, spice mixes, tortillas, tacos and coconut milk, Risenatä's granola, bean pasta products and chickpea mixes. Our plan is to further extend our offering of certified products and other methods to continuously improve the social and environmental

footprint of our products.

Five years ago, Paulig made a promise that all of the coffee beans used by the company would come from verified sustainable sources by the end of 2018. This promise was kept and now Paulig is one of the first large roasteries in the world to exclusively use sustainable coffee beans. This means we concentrate purchases to certified coffees and to sustainable development projects in the countries of origin. >> [Read more](#)

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

Food safety and high quality are crucial for us

What does a certification include?

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

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

Within our assortment, Fair Trade, UTZ Certified and EU Organic certification schemes are used. Farms within the Rainforest Alliance certification, or farms involved in sustainable development projects which we support, are also included.

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

"We assess risks proactively and
**meet with
our suppliers
regularly** to ensure that
our raw materials and products
meet our high requirements."

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

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 traceability throughout the delivery. In addition, sam-

pling and analysing incoming raw materials is an important part of our quality work.

In our own production, hand in hand with the certified quality and food safety management systems in place ([> see details in page 45](#)), we follow up all our procedures carefully in everyday operations to ensure that none of our process phases fail. During 2018, we, for example, put effort on identifying and solving root causes for leaking packages in our Vuosaari roastery in Helsinki.

Targeting to reduce complaints

Most of our complaints concern the taste of the product and matters related to packaging. Our overall target is to reduce the number of customer complaints year by year, but in 2018 we had an





unwanted increasing trend in complaints, e.g. complaints regarding the renewed Santa Maria spice jar, as it was found inconvenient to use. Regarding the complaints, a product sample from a consumer or a customer often helps further investigation in our own laboratories or production. We always provide the consumers information about the results of the investigation.

Our Poco Loco production site in Roeselare, Belgium has a gluten-free certification covering their chips and taco production. Unfortunately, we faced a recall in February 2018, due to a gluten contamination in organic corn. As a preventive action, we increased the raw material monitoring together with the supplier.

Engaging people around great taste

Our consumers have many requests and ideas related to the use and content of our products. Yearly, we receive thousands of contacts mainly through social media channels and websites, and actively publish useful and engaging information in various social

"We want to
**support
wellbeing in
the society**
through engagement and
integration."

media channels. The consumer contacts are mainly related to quality, guidance requests, product development ideas and other feedback.

We also want to support wellbeing in the society through engagement and integration. And what else is a better way to bring different people together and learn from each other than through cooking and eating together. Paulig is a partner of Mitt Liv (My Life), a social company which aims to open doors to working life for people with foreign backgrounds through mentoring programmes.

What customers ask from us

The most asked question in the consumer service in Finland is: **How do I recycle the coffee package?**

"All Paulig coffee packages, including both plastic packages and packages including aluminium, can be recycled as plastic waste. Another option is to recycle them as mixed waste if plastic recycling is not possible."

Kaisa Junikka, Consumer service in Finland



Sustainability key figures 2018

Fostering social responsibility

Health & Safety

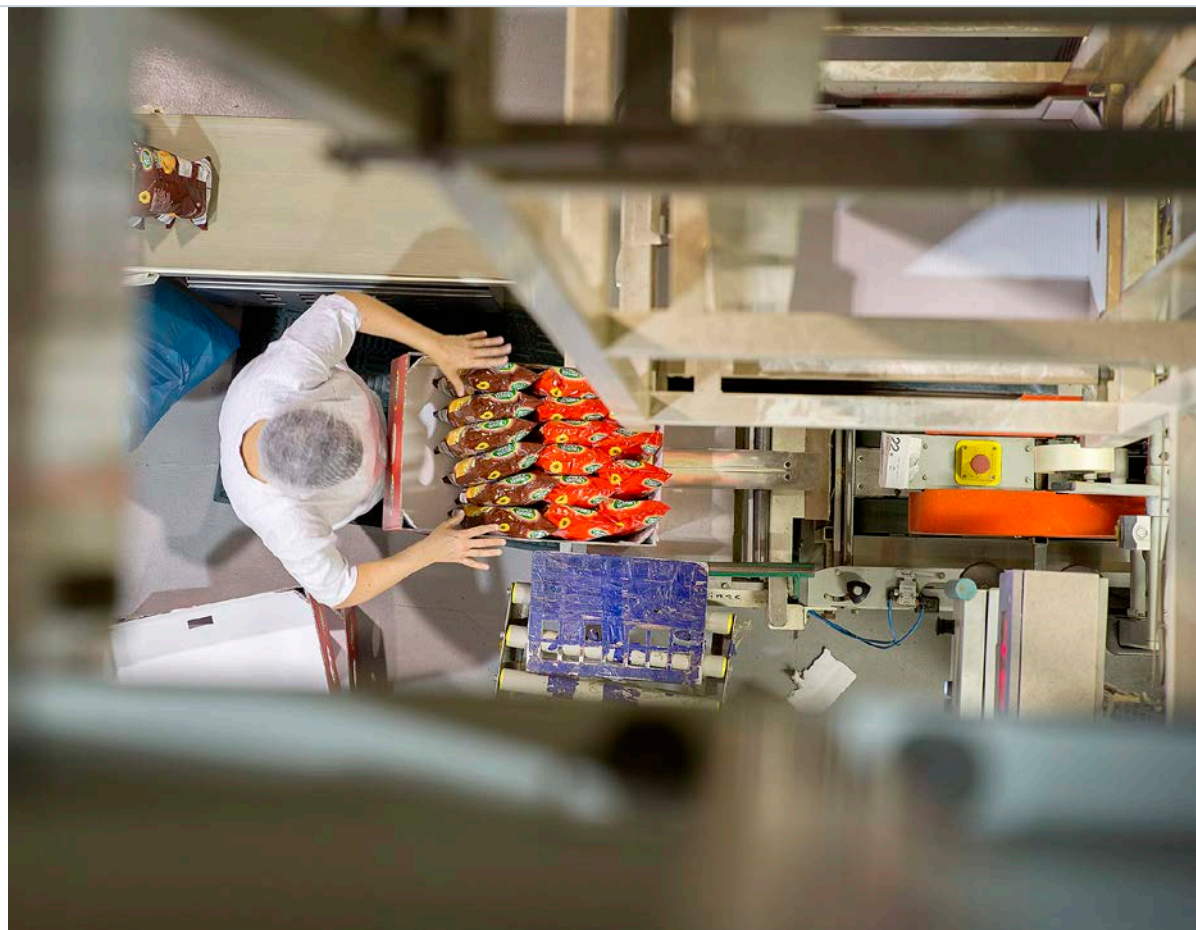
	2015	2016	2017	2018
Number of Lost Time Accidents (LTA)	43	18	28	30
Lost Time Accident Frequency rate*	18.1	6.7	9.4	9.1
Number of Lost Time Days (LTD)	650	390	279	225
Lost Time Day Severity rate**	0.27	0.14	0.09	0.07
Number of near misses	960	820	537	560
Number of risk observations	n/a	546	1,556	2,091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

* number of accidents per 1 million hours worked

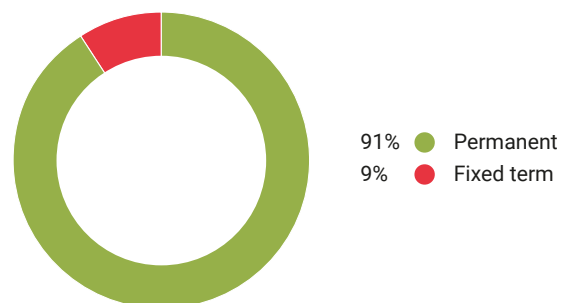
** number of lost days per 1000 hours worked

Trainings for professional growth

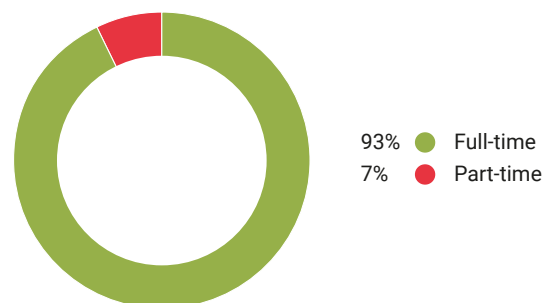
Number of participants	2015	2016	2017	2018
Leadership programme for managers	25	16	159	82
Sales and marketing	160	357	37	21
Paulig Sourcing Academy	40	38	64	27
Auditor training	15	7	4	1



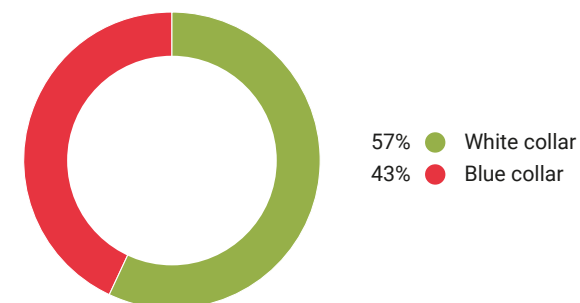
Employment contract



Employment type



Personnel groups



Caring for the environment

Energy consumption by source (MWh)

	2015	2016	2017	2018
Electricity	58,160	60,955	59,269	61,124
Natural gas	103,256	98,844	104,441	103,260
Bio gas	6,094	13,190	13,422	19,355
District heating	6,066	8,408	6,942	6,447
Group total	173,576	181,398	184,075	190,185
<i>Energy intensity (MWh/tonne product)</i>	<i>0.84</i>	<i>0.82</i>	<i>0.81</i>	<i>0.85</i>

Total energy consumption by division (MWh)

	2015	2016	2017	2018
Coffee	36,317	35,064	34,664	31,965
Foods	52,997	44,929	39,618	26,840
Snacks	83,565	100,410	108,606	131,379
Naturally Healthy Food	696	995	1,186	-
Group total	173,576	181,398	184,075	190,185

Due to internal merges, the divisional data is not fully comparable in 2015–2018

Share of renewable energy by division (%)

	2017	2018
Coffee	77%	76%
Foods	66%	88%
Snacks	6%	6%
Group total	28%	30%

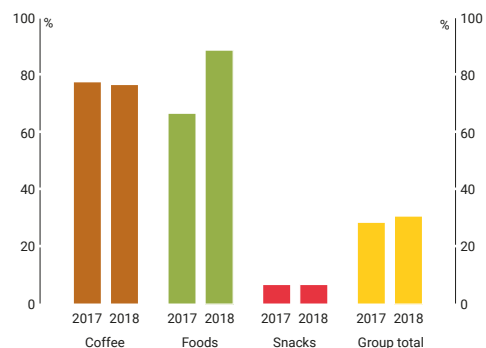
Data for 2017–2018 externally verified

Total GHG emissions by scope (tCO₂e)

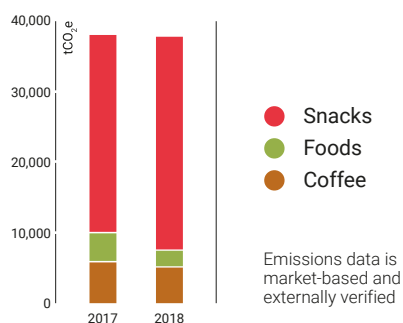
	2017	2018
Scope 1	22,930	22,266
Scope 2	6,601	7,092
Scope 3	8,413	8,318
Group total	37,945	37,676
<i>GHG intensity (tCO₂e / tonne product)</i>	<i>0.167</i>	<i>0.167</i>

Emissions data for 2017–2018 is market-based and externally verified

Share of renewable energy by division

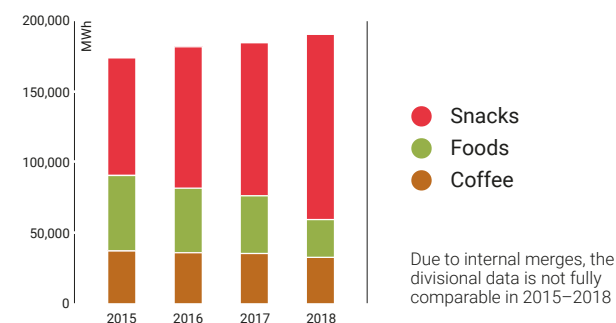


Total GHG emissions by division



Emissions data is market-based and externally verified

Energy consumption by division



Due to internal merges, the divisional data is not fully comparable in 2015–2018

Total GHG emissions by division (tCO₂e)

	2017	2018
Coffee	5,679	4,911
Foods	4,127	2,391
Snacks	28,138	30,374
Group total	37,945	37,676

Emissions data for 2017–2018 is market-based and externally verified

Production volume by division (t)

	2015	2016	2017	2018
Coffee	48,997	49,211	49,827	47,307
Foods	55,171	51,400	49,818	35,313
Snacks	96,275	114,575	122,035	142,315
Naturally Healthy Food	6,300	6,144	5,710	-
Group total	206,742	221,331	227,390	224,935

Due to internal mergers, the divisional data is not fully comparable in 2015–2018

Total waste by disposal method (tonne)

	2015	2016	2017	2018
Animal feed	6,422	6,648	7,348	7,740
Material recycling	1,325	1,602	1,839	2,062
Incineration with energy recovery	2,031	1,771	1,779	2,116
Composting or biogas production	522	315	584	578
Cleaning salt	446	456	304	307
Sold or donated for human use	103	81	135	308
Landfill	184	153	41	23
Incineration without energy recovery	0	0	7	4
Unspecified	2	2	2	12
TOTAL	11,034	11,029	12,039	13,150
Group total recycling rate	80%	82%	84%	84%

Water consumption by division (m³)

	2015	2016	2017	2018
Coffee	12,340	13,705	14,574	13,509
Foods	45,399	38,686	24,723	18,694
Snacks	56,608	68,521	75,972	90,263
Naturally Healthy Food	162	480	593	-
Group total	114,509	121,392	115,862	122,466

Due to internal mergers, the divisional data is not fully comparable in 2015–2018



GRI content table

This report covers the sustainability work of Paulig Group in 2018. In the report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. In reporting employees' health and safety topics, the updated GRI Standard (GRI 403: Occupational Health and Safety 2018) was applied. In addition, the Food Processing Sector Specific Disclosures relevant to Paulig Group's operations were reported.

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Management systems in Paulig Group

PAULIG GROUP DIVISION AND SITES	QUALITY AND PRODUCT SAFETY					ENVIRONMENT	ENERGY	HEALTH & SAFETY
	ISO 9001	FSSC 22 000	BRC	IFS	Customer specific	ISO 14 001	ISO 50 001	ISO 45 001

PAULIG COFFEE

Divisional certificate	x					x		x
Helsinki, FIN	x	x			x	x		x
Tver, RUS	x	x			x	x		x
Porvoo, FIN*	x				x	x		x

PAULIG FOODS

Mölnlycke, SE			x			x		
Mölnådal, SE			x			x		
Landskrona, SE			x			x		
Rotebro, SE		x				x		
Kungsbacka Warehouse, SE			x			x		
Saue, EE			x			x		

PAULIG SNACKS

Roeselare, BEL*			x	x	x		x	
Milton Keynes, UK			x		x	x		

* Organic certification

ISO 9001	=	Quality Management Standard
FSSC 22 000	=	Food Safety Management Standard
BRC	=	Food Safety Standard
IFS	=	International Featured Standards
ISO 14 001	=	Environmental Management Standard
ISO 50 001	=	Energy Management Standard
ISO 45 001	=	Occupational health and safety

Our membership in organisations 2018

Collaboration organisations

ROUNDTABLE FOR SUSTAINABLE PALM OIL (RSPO)

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

INTERNATIONAL COFFEE PARTNERS GMBH (ICP)

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

www.coffee-partners.org

COFFEE AND CLIMATE (C&C)

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

GLOBAL COFFEE PLATFORM

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

www.globalcoffeeplatform.org

FINNISH BUSINESS & SOCIETY (FIBS ry)

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

www.fibsry.fi

Food and beverage industry associations

THE FINNISH FOOD AND DRINK INDUSTRIES' FEDERATION, ETL

The Finnish Food and Drink Industries' Federation, ETL, represents the interests of the food and drinks industry in Finland. ETL also acts as a corporate collaborative forum, in relation to authorities,

trade, producers and other stakeholder groups. It is a member of FoodDrinkEurope. www.etl.fi

THE SWEDISH FOOD FEDERATION (LIVSMEDELSFÖRETAGEN)

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

THE BELGIAN FOOD AND DRINK FEDERATION, FEVIA

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

THE SWEDISH FLAVOUR & SPICE ASSOCIATION

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

www.aromochkryddforeningen.se

THE ESTONIAN FOOD INDUSTRY ASSOCIATION

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

EUROPEAN COFFEE FEDERATION (ECF)

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

EUROPEAN SPICE ASSOCIATION (ESA)

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

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

The coffee and roastery association is the Finnish Food and Drink Industries' Federation's industry association, and a member of the European Union's umbrella organisation, the ECF (European Coffee Federation). In addition to representing interests, the association develops connections to the national researcher community, to follow

coffee-related research, and closely follows foreign field research, questions pertaining to coffee and health, as well as environmental issues. www.etl.fi, www.kahvi.net

Others

YKKÖSKETJUUN-CAMPAIGN ON HUMAN RIGHTS DUE DILIGENCE

#Ykkösketjuun is a joint campaign by citizens, civil society organisations, companies and trade unions, coordinated by Finnwatch, an organisation promoting corporate accountability. The campaign is calling for a Finnish law on mandatory human rights due diligence. The law, based on the UN Guiding principles on business and human rights, would oblige companies to map their human rights impacts and to prevent possible negative impacts.

www.ykkosketjuun.fi/en

NÄTVERKET MAT & MILJÖ (NETWORK FOOD & ENVIRONMENT), RI.SE

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

INSTITUTE FOR SCIENTIFIC INFORMATION ON COFFEE (ISIC)

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

www.coffeeandhealth.org

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



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