

Paulig Group Modern Slavery Statement 2018/2019

Overview

At Paulig Group, commitment to high quality, a long-term view and a sense of responsibility have been our core values since 1876 when Gustav Paulig founded the company.

We recognise that modern slavery, including forced or compulsory labour, slavery, servitude, human trafficking and child labour is always a concern when operating in a global environment and we have zero tolerance towards it. We understand that our biggest exposure to modern slavery is in our supply chains. We are committed to enhancing social responsibility through our purchases, due diligence procedures and capacity building in the supply chain.

1. Our organization, business and supply chains

Paulig Group is a family-owned, international food industry business, known for its high-quality brands, such as Paulig, Santa Maria, Risenta, Gold&Green and Poco Loco. We have nearly 2000 employees, and in 2018 our net sales were EUR 907 million. The company is headquartered in Helsinki, Finland.

Our business is currently divided into three divisions: Coffee, Food, and Snacks. We operate in the Nordic and Baltic Countries, Russia and its neighbouring areas, Central Europe and the United Kingdom. Our products are sold in about 70 countries. Currently, 58 % of Paulig Group's sales are in the Nordic countries and 42% in other markets.

- Our supply chains are global consisting of approximately:
 - o **660** direct raw material, packaging material and traded goods suppliers in around 80 countries
 - o **7100 indirect** suppliers in the countries we operate in

Our sustainability work covers the whole value chain and focuses on social responsibility, the environment, consumer health and wellbeing, and developing the local communities we operate in. In sourcing we emphasize human rights, decent working conditions and fair employment, together with other aspects.

2. Our key policies in relation to modern slavery

We have zero tolerance towards modern slavery. We are committed to international standards such as the Universal Declaration on Human rights, the Core Conventions of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises and the ten principles of the UN Global Compact. Our Ethical Principles are based on these standards and set the norm for ethical behaviour for all Paulig Group employees in all units.

We want to foster a sustainable way of sourcing. To support this principle, we developed internal group-wide guidance, a Sustainable Sourcing Process, in 2015 that has been continuously updated to reflect advances in our sourcing practices. The process ensures a systematic way of working in order to identify and manage the different sustainability challenges in our supply chain.

The basic sustainability principles and requirements governing our supplier relationships are outlined in the [Paulig Code of Conduct for Suppliers](#) which we expect each of our suppliers to sign. The Code is based on the aforementioned international standards and was updated in 2018. It stipulates the minimum requirements suppliers shall respect and meet within their own operations and within their supply chain. The updated Code of Conduct was strengthened related to modern slavery by the inclusion of two explicit new provisions: a) that it is the supplier's obligation to ensure employees are not required to make deposits or payments to employers or labour providers to obtain work and b) that employees are not required to surrender their identification documents. In 2018, an estimate of 90 per cent of our direct suppliers had signed the Code. The suppliers that have not signed usually have their own Codes of Conduct, which at a minimum reflect our requirements and have been accepted by us.

We updated our grievance channel in early 2019 to a whistleblowing service managed by a third party, WhistleB. The whistleblowing is for internal reporting at this point and replaces our previous grievance channel which was managed by the company itself. This externally handled whistleblowing service ensures greater anonymity and reporting can be done in six languages: Dutch, English, Estonian, Finnish, Russian and Swedish.

Our Sourcing Management Team (SMT) is responsible for driving sustainable supply chain development. Our divisional sourcing teams have the operational responsibility of implementation of the process: from risk assessment

to follow-up of actions. SMT reports to Paulig Group Management Team about the KPIs and development of Sustainable Sourcing. SMT also advises Paulig Group Management on the strategic direction of Sustainable Sourcing.

3. Risk assessment within our supply chains

We recognise that common sustainability risks in the food sector are related to human rights such as forced or child labour and employee rights such as fair remuneration and working hours. The risks exist especially in global and complex supply chains. Production of some of our raw materials such as coffee and spices often rely on low-skilled, seasonal and migrant workers which can further increase the risk of modern slavery.

Our risk assessment regarding social responsibility such as violations of human rights, child labour or poor working conditions is based on the evaluation of country and raw material specific risks. We use amfori BSCI country risk list to evaluate the country of the first tier supplier, the country of production and the country of origin of raw material.

The risk assessment is an ongoing process. It is done always before starting collaboration with a new supplier and is updated regularly. In 2018, the number of high risk suppliers was approximately 170 based on the country they operate in, or on the country of origin of a raw material.

4. Due diligence procedures to manage risks within our supply chains

We recognize that our exposure to modern slavery is greatest in our raw material and product supply chains. During the last few years we have taken steps that enable us to minimize the risk of slavery or servitude. We value long-term relationships with our selected raw material, packaging material, traded goods, and transport and logistics suppliers, and invest in collaboration with them.

We conduct risk assessments through our Supplier Questionnaires (SQs) for all new direct suppliers. The aim is to evaluate how proactively and systematically the supplier works regarding sustainability both in their own operations and in the supply chain. If no significant changes occur within the suppliers operations, the SQ is sent to existing suppliers every third year. If major changes occur, for example changes in production location or processes, the supplier is re-evaluated with more frequently. The SQs are then carefully reviewed by the relevant teams and prioritized based on risk. The SQ thus gives important input for prioritizing further due diligence actions, such as supplier audits.

After the risk assessment we follow-up on supplier performance by conducting different levels of on-site audits. In 2018, we conducted around 30 sustainability supplier audits. Our auditors have been trained to pay special attention to indications of slavery e.g. restrictions of workers' freedom of movement, and ensure company policies, codes of conduct or labour laws are available and displayed. Should any indication of slavery be uncovered, the company would take immediate action. Suppliers with non-compliances are requested to provide a plan for corrective action. The suppliers' progress in implementing the plan is monitored by the auditors.

In 2018, we found non-compliances in three sites related to freedom of association and the right to collective bargaining, related to a lack of scheduled and documented meetings between management and workers. Two sites has issues related to regular and voluntary employment with a lack of written information regarding overtime and not having written guidelines or work contracts in place. All of these cases are currently still open but are being resolved with corrective measures. None of these non-compliances were found to be critical and no instances of forced labour were detected.

Our Coffee Division develops and advances the responsibility of its sourcing through its own Sustainable Sourcing program, which was launched in 2014. One of the important goals of the program was that by the end of the year 2018 all Paulig green coffee must be sourced from sustainable sources. The goal was reached at the end of 2018, and now all Paulig green coffee is sourced from verified sustainable sources - either as certified coffee or through own sustainable partnership programs that are assessed against our Code. All Paulig coffees are traceable at least to the level of coffee cooperatives and production communities in the origin countries.

Paulig wants Finland to be one of the forerunners in corporate social responsibility as human rights are too important to be left to corporate discretion alone. #Ykkösketjuun* is a joint campaign by citizens, civil society organisations, companies (including Paulig) and trade unions 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, prevent and mitigate possible adverse impacts. <https://ykkosketjuun.fi/en/>

5. Training and capacity building to combat modern slavery

We recognize that capacity building through training, worker's empowerment and partnerships have a pivotal role in ensuring that different stakeholders across the supply chains understand and are able to identify human rights risks. Capacity building is also key in equipping workers to better protect themselves.

All employees are required to complete our online training on Ethical Principles and this is mandatory for our personnel.

To ensure a functioning Sustainable Sourcing process we organise internal training for employees who work at the Paulig Group's sourcing and quality management functions. Our goal is to keep building up the auditor competencies in each Group division.

We value long supplier relationships and meet with our key suppliers regularly. During these meetings we communicate the requirements of our Code to suppliers and actively bring up relevant social responsibility issues into conversation to increase awareness.

We also participate in many social projects locally and in our supply chain that support the realisation of human rights. For example, Paulig Foods has been a partner company with Save the Children in India since 2004, working to enable children to go school and keep them out of child labour.

6. Future developments

We recognize that preventing modern slavery is a continuous process. We are committed to improving our policies, procedures and practices and working with our suppliers to further understand the risk areas and increase transparency to help mitigate any negative impacts identified.

We will continue to train our personnel and suppliers on social responsibility issues, and to raise awareness through projects that build capabilities in combatting modern slavery directly or indirectly.

We are working to improve our traceability to know all country of origin. Currently in products mixes, this can be challenging as we can have several different countries of origin that may change according to the seasons. Our new Code of Conduct aims to help improve traceability by requiring our suppliers to provide countries of origin for each raw ingredient.

This statement was approved by the Paulig Group Management Team.



Rolf Ladau, CEO, Paulig Group

26.4.2019

This modern slavery statement for the financial year of 2018 is made pursuant to section 54(1) of the UK Modern Slavery Act 2015