

Paulig Group Modern Slavery Statement 2019

Overview

At Paulig Group, commitment to high quality, a long-term view and a sense of responsibility have been our core beliefs 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, both in our own operations and 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 also serve most of European retailers with their Tex Mex Retail Brands. We have more than 2,000 employees, and in 2019 our net sales were EUR 921 million. The company is headquartered in Helsinki, Finland. Paulig Group's four Business Areas are Finland & Baltics, Scandinavia & Central Europe, East and Customer Brands. Prior to that, the Group's business was divided into three divisions: Coffee, Food and Snacks.

We operate in the Nordic and Baltic Countries, Russia and its neighbouring areas, Central Europe, the United Kingdom and Ireland. Our products are sold in more than 70 countries. Currently, 54% of Paulig Group's sales are in the Nordic countries and 46% in other markets. Our supply chains are global, consisting of approximately 656 direct raw material, packaging material and traded goods suppliers in around 80 countries, and 6,775 indirect suppliers in the countries we operate in.

Our sustainability work covers the whole value chain and focuses on: fair and inclusive way of working, climate and circularity, and health and wellbeing of people and planet. This work is done in close cooperation with our partners and stakeholders throughout the value chain. 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. In 2019, we started to harmonise our sourcing processes within Paulig Group. This work comprises, for example, developing common risk assessments, and the supplier lifecycle management process, including supplier approval and development. Earlier, our sourcing was organised in the different business divisions and categories

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 last updated in 2018. It stipulates the minimum requirements suppliers shall respect and meet within their own operations and within their supply chain.

Our internal whistle blower channel serves as a tool to raise possible concerns on any unethical behaviour observed or suspected in our operations. All the possible misconduct is evaluated and investigated, and the cases are handled by Paulig's whistleblowing team. The channel is managed by a third party, WhistleB, and reporting can be done in six languages: Dutch, English, Estonian, Finnish, Russian and Swedish.

Sustainability is part of our daily work, and practical actions are a responsibility of the business management. There is a sustainability team both in the Group-level and in the Sourcing-function to overlook the policies are up-to-date and to monitor implementation and compliance. Stakeholder collaboration is key in addressing sustainability challenges and driving development. Furthermore, the purchasing personnel is trained on sustainability and human rights issues and they are embedded in the purchasing process.

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, and a significant share of our raw materials comes from countries that are classified as risk countries by amfori BSCI (Business Social Compliance Initiative). 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. In addition, climate change, loss of biodiversity and water stress as well as the usage of pesticides cause risks to the environment and people in these areas.

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 2019, 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 recognise 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.

After the risk assessment we follow-up on supplier performance by conducting different levels of on-site audits. In 2019, we conducted around 16 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 2019, we found one non-compliance related to freedom of association and the right to collective bargaining, where there was a lack of forum for the workers to raise concerns and discuss these with the management. This issue has been corrected and the non-compliance has been closed. Non-compliances found in 2018 were all corrected and closed, except for one that is waiting for re-audit of the supplier.

Paulig green coffee is sourced from verified sustainable sources - either as certified coffee or through our own sustainable partnership programs that are assessed against our Code of Conduct for Suppliers. All Paulig coffee is traceable at least to the level of coffee cooperatives and production communities in the origin countries. The majority of our coffee is certified. In addition to certificates, we use carefully selected partnership programmes because we want to be genuinely present in the countries of origin; listening and taking part in discussions and developing local communities. We chose the independent verification body FLOCERT as our auditing partner for 2019 and they developed a framework for the verification of the Paulig coffee partnership programmes. In 2019 the audits of coffee partnership programmes were carried out in Costa Rica, Nicaragua, Brazil, Kenya and Tanzania. They were conducted in three levels, in the headquarters, at the local exporter and at the coffee farms.

5. Training and capacity building to combat modern slavery

We recognise 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.

Employees are required to complete our online training on Ethical Principles, and this is mandatory for our personnel. Our personnel working in sourcing, quality management and sustainability functions are trained to ensure consistent evaluation of the social and environmental work of Paulig and our suppliers. They are experienced, well-trained on the matter and familiar with the issues prevalent in the countries of origin.

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

We participate in social projects locally and in our supply chain that support the realisation of human rights. For example, we have 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. Furthermore, we are a member of Sustainable Spices Initiative, which aims to sustainably transform the mainstream spices sector, thereby securing future sourcing and stimulating economic growth in producing countries.

6. Future developments

We recognise 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. Our Code of Conduct for Suppliers supports this aim by requiring our suppliers to provide countries of origin for each raw ingredient. Our ambition is that by 2030 all raw materials from high-risk areas come from sustainable sources verified by external parties.

Paulig is calling for an EU-wide development of a harmonised approach on mandatory human rights and environmental due diligence across different business sectors. We are ready to support this development through open dialogue with EU policymakers and other stakeholders. In April 2020, we became an amfori-member, which enables us to influence global decision-making, effectively promote well-being throughout the supply chain, scale external verifications in our supply chain and collaborate with others.

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 and human trafficking directly or indirectly.

This statement has been approved by the Paulig Group Leadership Team.

A handwritten signature in blue ink, appearing to read 'R. Ladau', is positioned above the typed name and title.

Rolf Ladau, CEO, Paulig Group
October 20, 2020

This modern slavery statement for the financial year ending December 31st, 2019 is made pursuant to section 54(1) of the UK Modern Slavery Act 2015.