





For a life full of flavour.



Annual Report

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Paulig in brief



Family-owned company,
founded by Gustav Paulig in

1876

Purpose

For a life full of flavour.

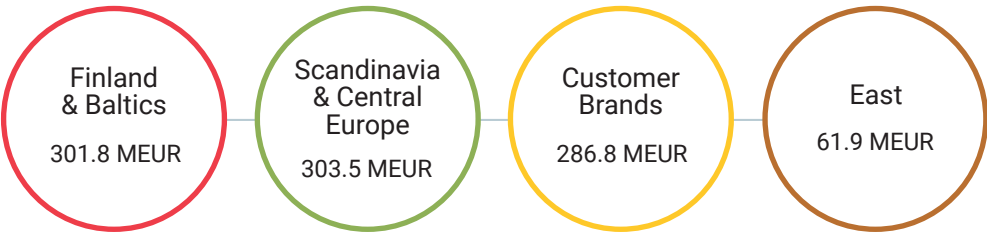
Revenue

966.3 MEUR

EBIT

95.3 MEUR

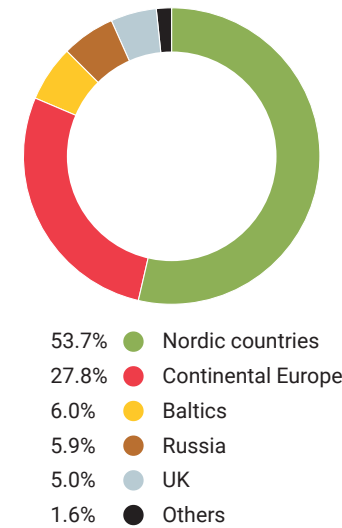
Revenue per Business Area



Values



Revenue per market



Brands



Total avg headcount

2190

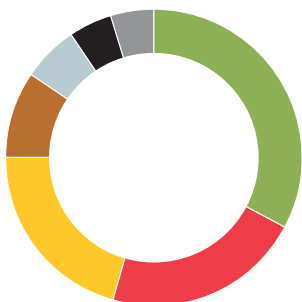
Female
46%



Male
54%

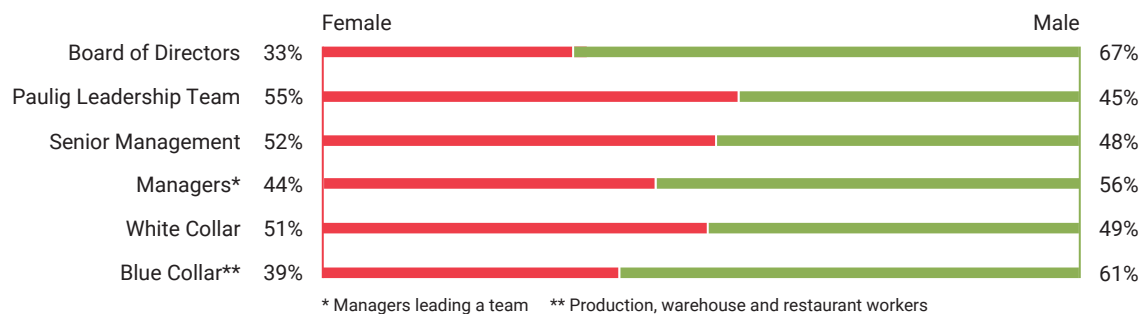


Avg headcount per country



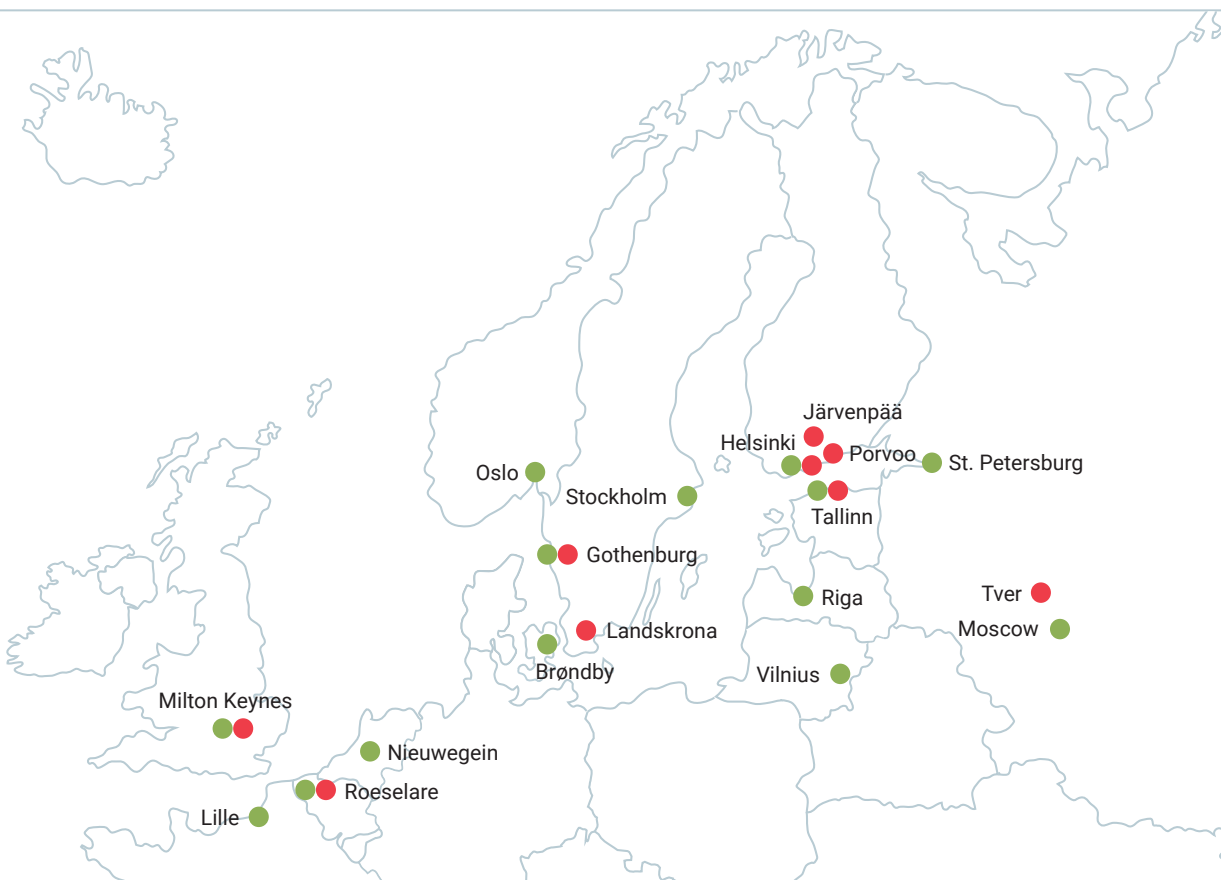
32% ● Belgium
21% ● Sweden
20% ● Finland
9% ● Russia
6% ● Estonia
5% ● UK
5% ● Others

Gender by position 2021



Operations in 13 countries

● sales
● production





CEO's review

“ *In 2021, Paulig achieved the best performance in its history: The company's operating profit continued to grow and revenue increased by 5.1 per cent. Growth was generated in all main categories: coffee, Tex Mex and spices. Paulig also advanced its ambitious sustainability programme and four factories became carbon neutral.*

Paulig aims to become one of the fastest growing food and beverage companies in Europe and a sustainable frontrunner in the industry. Strong progress towards these targets was made in 2021: Paulig's revenue increased to EUR 966.3 million (2020: 919.5) and operating profit rose to EUR 95.3 million (2020: 88.3), which was 9.9 per cent of net sales (2020: 9.6).

Demand for Tex Mex products continued to be strong and our sales in the Tex Mex category grew by 3.6 per cent in 2021. Sales of both Santa Maria and the Customer Brands increased in all markets. Paulig also launched an entirely new product range Next Mex, based on authentic Mexican taste experiences. Paulig is currently building a new tortilla plant in Roeselare, Belgium, and construction has proceeded as planned. With this EUR 45 million investment in a new production facility, Paulig aims to strengthen its position as market leader of Tex Mex in Europe. The new plant will be carbon neutral from the start. Production of tortillas in the new factory will start in Q2 of 2022.

Paulig's strong position in the coffee category in Finland and Russia continued to strengthen, and the category grew by 8.6 per cent. The coffee category recovered clearly from 2020, when the pandemic restrictions affected the sales in the Out of Home channel which offers products and services to restaurants, cafés and hotels.

The coffee business was heavily impacted by cost increases in several areas. Green coffee prices rose to an unprecedented level, costs of packaging material increased as did the logistics

and energy costs. These were reflected in price increases towards retailers – but even with these developments Paulig was able to gain volume share.

Paulig launched several delicious new coffees such as Café Singapore City Coffee, Presidentti Ruby variant and Juhla Mokka coffee and two new flavours in small packs.

Efficiency improvement project boosted bottom-line growth

Paulig's bottom-line profit growth was driven by a significant efficiency improvement project within supply chain and sourcing. In addition, the entire organisation continued to carry out tight cost control. Growth was also enabled by the One Paulig business model, introduced two years ago, which has increased operational efficiency and brought unified ways of working to many business units and functions.

Last year's excellent result shows that Paulig is also able to function well in an extraordinarily challenging business environment. The coronavirus pandemic, remote working and other work-related arrangements continued for the second year, but despite these, we achieved all-time high business results.

Last year we also celebrated Paulig's 145 years of operation. The anniversary culminated in an internal week of celebrations. Over the past decades, Paulig has grown from a local import and wholesale firm to an international food and beverage company. The secret of Paulig's long-standing success is, above all, connected to the company's ability to constantly renew itself. Through the decades, Paulig has been able to maintain its relevancy through regular renewal and outside orientation. And being a family-owned company with strong values, we also benefit from the freedom to look at the business with a long-term growth perspective.

Paulig’s ambitious sustainability programme and its implementation also reflect Paulig’s ability to respond to a changing business environment. In 2021, Paulig strongly continued execution of the ambitious sustainability targets, based on the UN Sustainable Development Goals.

Paulig’s climate targets are approved by the Science Based Targets initiative: an 80 per cent reduction in GHG emissions in our own operations and 50 per cent in value chain emissions by 2030 from a 2018 baseline. Concrete results have already followed: Paulig has reduced its greenhouse gas emissions in its own operations by 18 per cent, and in early 2022, already six out of the ten Paulig factories were CarbonNeutral® certified. In 2022 the company’s internal incentive system is also linked with the goal of achieving carbon-neutral operations.

Furthermore, Paulig announced a sustainable farming partnership with Swedish agricultural cooperative Lantmännen. As part of the collaboration, Swedish farmers will adopt even more sustainable cultivation methods. The wheat flour supplied to Santa Maria tortillas produced in Sweden will generate up to 30 per cent less GHG emissions per unit of volume.

During 2021, the Paulig Nutrition KPI Framework was established to define what Paulig means by a product enabling health for people. The framework is utilised to evaluate Paulig’s product portfolio and guide focus areas for product development.

Paulig’s safety culture has made clear progress over the past five years. The health and safety of our employees is one of our key priorities and our “Yes We Care” programme, which focuses on developing our safety culture, has delivered great results. The number of lost time accidents decreased by 36 per cent last year and the safety indicator, the LTAF figure, fell to 2.4, having been 3.6 one year earlier. We are committed to a Zero Accidents

policy, and the work to reach it continues together with all employees.

New factory and acquisition support future growth

Paulig aims for strong, international growth especially in the Tex Mex and coffee categories. This year, the target is supported by the opening of a new tortilla plant in Belgium and the acquisition of the Spanish innovative company Liven. Paulig acquired Liven in the beginning of 2022 to drive growth in its Tex Mex and snacking business in Europe. Liven’s agile innovation and production capabilities strengthen Paulig’s position as the leading European Tex Mex company, and also complement our offering with new types of snacks. In addition, Paulig entered into an agreement to sell its Gold&Green brand, intellectual property and R&D function to focus on driving growth in its main product categories Tex Mex, Coffee, Spices and Snacks.

I would like to thank all of our employees for their very good work during the challenging pandemic year and our customers and partners for their valuable collaboration.



Helsinki, March 2022

Rolf Ladau, CEO, Paulig

Paulig aims for strong, international growth especially in the Tex Mex and coffee categories. This year, the target is supported by the opening of a new tortilla plant in Belgium and the acquisition of Spanish innovative company Liven.



Business Areas in focus

Paulig aspires to become one of the fastest growing food & beverage companies in Europe, and a sustainable frontrunner in the industry. To be close to our customers and consumers, our business is organised in three geographical Business Areas: Finland & Baltics, Scandinavia & Central Europe and East. The fourth Business Area is specialised in serving Customer Brands.

Business Area Finland & Baltics

The Business Area's revenue totalled EUR 301.8 million (285.0) in 2021. In Finland and the Baltics, total coffee sales were slightly above the previous year, mainly due to strong performance in the retail channel. The sales of the Tex Mex category grew by 6 per cent, the Asia category grew by 5 per cent and Spices were at the same level as the previous year.

In 2021, Paulig renewed the iconic Juhla Mokka coffee and introduced new taste variants and smaller packages to the retail market in Finland. Popular Juhla Mokka campaigns with special edition packages for Mother's Day and Christmas continued. In addition, the Presidentti coffee family was extended with a Ruby variant, and a new variant for the Paulig City Coffee range, Café Singapore, was introduced in Finland. In the Baltics, new master brand communications were launched for the coffee category, and the Paulig Arabica beans coffee range was extended by bringing a new Paulig Arabica Selected coffee to the market.

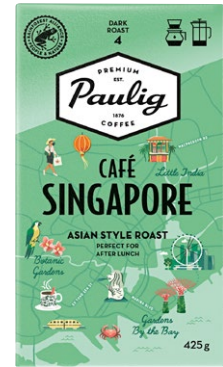
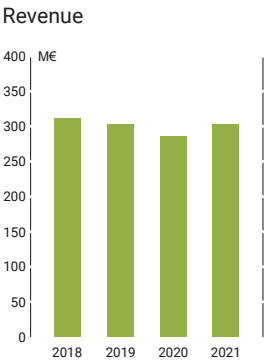
In 2021, Finnish consumers again ranked Paulig as number one in the beverages category of the Sustainable Brand Index, the largest brand study on sustainable development in Europe. Paulig is the leading coffee brand in Finland, Estonia and Lithuania and among the top five in Latvia.

Facts about the Business Area

SVP of Business Area:
Lenita Ingelin

Revenue 2021:
EUR 301.8 million

Master Brands:
Paulig, Santa Maria
and Gold&Green



In the food categories, Paulig focused strongly on Tex Mex and launched a new Next Mex concept in Retail and Santa Maria veggie tortillas for consumers and customers in Finland. In the Baltics, Paulig introduced the protein Pulled Oats® of Gold&Green for Out of Home customers. Paulig's Santa Maria is the leading brand in the Tex Mex segment in both Finland and the Baltics. In the spice categories Santa Maria is one of the most popular brands in Finland and the market leader in the Baltics.

The COVID-19 pandemic continued during 2021 and in the foodservice and office sectors sales declined slightly compared to the previous year. During 2021, Paulig continued to support and inspire its customers and organised several successful online events. In addition, Paulig participated in Coffee Festival and Food sector events in the Baltics.



Business Area Scandinavia & Central Europe

The Business Area's revenue totalled EUR 303.5 million (283.2) in 2021. Despite continuous Covid restrictions, both Retail and Out of Home showed strong growth. This growth was driven by all Santa Maria categories (Tex Mex, Spices, Asia and BBQ) and the strongest growth was in the Tex Mex category.

During the year, a new premium Tex Mex concept, Next Mex, was launched across all markets with the purpose of attracting new consumer groups to the category.

Out of Home markets grew in total by more than 20 per cent, with all markets contributing with strong double-digit growth. In Retail, the Norway and International sales markets grew most, well above 10 per cent each. Sweden Retail was stable compared to 2020; however, the Santa Maria brand grew by 2 per cent.

The Santa Maria brand kept its strong market positions across

markets and segments. In Tex Mex, market leadership in Norway and Benelux was strengthened both in value and volume. Market shares were stable in Sweden and Denmark compared to 2020.

Through a strong commercial focus on the Risenta brand, the second half of 2021 showed progress. New listings at a major retailer in Sweden, the new granola launch as well as an aggressive programme in store are the key building blocks in further developing the brand in 2022.

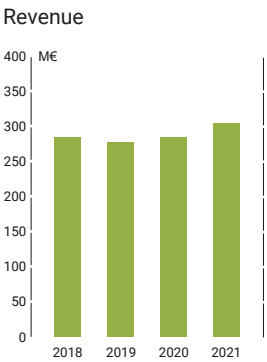
The plant-based protein Gold&Green Pulled Oats® was further pushed in the Dutch Retail channel and launched for new customers in the Out of Home channel. However, issues with production and the pandemic have put pressure on sales ambitions.

Facts about the Business Area

SVP of Business Area:
Henrik Samuelson

Revenue 2021:
EUR 303.5 million

Master Brands:
Santa Maria,
Risenta and
Gold&Green





Business Area Customer Brands

The Business Area’s revenue totalled EUR 286.8 (286.2) million in 2021. The overall financial performance of Customer Brands ended up being stronger than in the previous year: thanks to the adaptation of our customer portfolio in favour of more profitable contracts, underlying sales growth of 3.9 per cent was achieved. This growth was offset by losses of less profitable customers following targeted price increases.

The year 2021 was the second year impacted by COVID-19, with stronger demand in Retail sales and the slowdown of Out of Home sales, which came with challenges in balancing supply with demand. Flour tortillas and chips were the most important revenue drivers, but also sales of dinner kits increased more than anticipated.

In 2021, new vegetable tortillas (carrot and beetroot) were launched on the market.

The main markets for the Business Area are France, Germany and the UK. Also, the home market of Belgium and Eastern and Central European countries are important and growing markets.

The products are produced at three sites: two sites in Belgium and one in the UK. During 2021, the construction of a new carbon-neutral tortilla factory next to the existing ones in Belgium was started. The project is worth EUR 45 million and it aims to increase our tortilla production as well as introduce new innovative products on the market. This investment is the highest ever made by Paulig outside Finland.

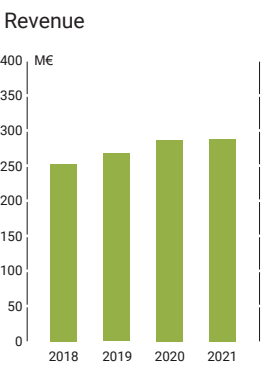


Facts about the Business Area

SVP of Business Area:
Arnaud Demoulin

Revenue 2021:
EUR 286.8 million

Master Brands:
Poco Loco and customers' own brands



Business Area East

The Business Area's revenue totalled EUR 61.9 million (54.9) in 2021. The company took the strategic decision to focus on the growing coffee category in Russia. Therefore, the local strategy of the Santa Maria brand was reassessed and it was decided to stop importing Santa Maria products to Russia starting from January 2022.

The Roast&Ground coffee segment continued to grow in the Business Area East in 2021: volume grew by 8 per cent and value by 14 per cent from the previous year.

The e-commerce focus established in 2021 produced great results, with the share of the channel growing by 2 percentage points behind massive penetration and visibility growth. In 2021, the Business Area East switched to a direct contract with eComm players, which allowed the area to maintain high profitability in the channel despite deep promotions.

Volume growth in Out of Home coffee was boosted by strong long-term cooperation with McDonald's as one of our major customers. The continuous expansion of collaboration with new partners

(Shell, X5 "retail goes coffee") resulted in a total increase in comparison with 2020, despite multiple COVID-19-related restriction periods severely hampering Out of Home traffic.

The flagship Paulig Café&Store in Moscow celebrated its first anniversary. Barista Institute, which operates in the café received SCA certification.

The Tver coffee roasting factory celebrated its 10th anniversary in 2021. Since its opening, the plant has produced 75 million kilos of coffee products. There was a successful launch of a new packaging line and a new line for coffee beans transportation in 2021.

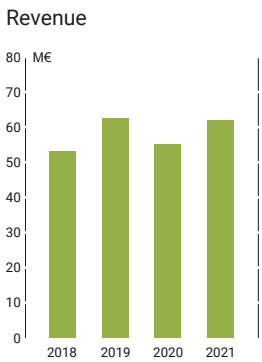
In March 2022, Paulig announced that it will withdraw from Russia.

Facts about the Business Area

SVP of Business Area:
Olga Svechnikova

Revenue 2021:
EUR 61.9 million

Master Brand:
Paulig and Santa Maria



Sustainability Report

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Welcome to Paulig's sustainability report 2021. This section describes Paulig's sustainability work during the financial year ending December 31st, 2021, covering all operations and companies that belong to the Group. The report is published annually, previous sustainability report having been published in April 2021. In the report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. The report also follows the requirements set by the European Union's Non-Financial Reporting Directive. For greenhouse gas emissions, the data collection, calculations and methodology (Scopes 1, 2 and 3) follow the Greenhouse Gas Protocol, and the emissions are assured by a third party. For more information, please contact Lea Rankinen, Director, Sustainability and Public Affairs, Lea.Rankinen@Paulig.com.

Sustainability highlights 2021

CARBON NEUTRAL PRODUCTION SITES

Our short-term goals are to make all of our factories carbon neutral by the end of 2023. During 2021, we achieved four more CarbonNeutral® building certifications, following an additional one in early 2022, now for a total of six out of our ten production sites.



BUILDING A CARBON NEUTRAL TORTILLA FACTORY

In August, the first stone for our new production plant for tortillas in Roeselare, Belgium was officially unveiled. The new factory will be carbon neutral from the start.



SUSTAINABLE FARMING PARTNERSHIP WITH LANTMÄNNEN

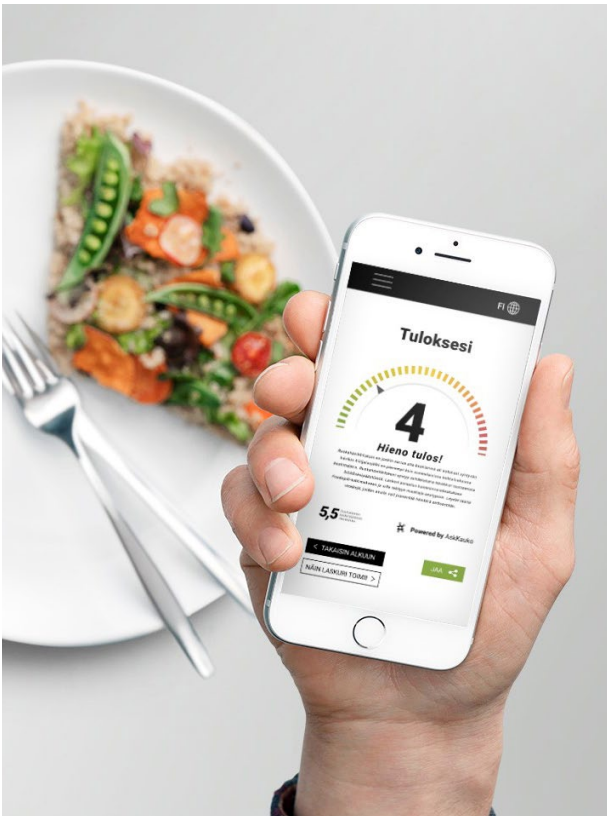
We took a significant step in the direction of our ambition of halving emissions in our value chain by bonding a sustainable farming partnership with Swedish agricultural cooperative Lantmännen. The wheat flour supplied to Paulig, which will cover the annual baking of 400 million Santa Maria tortillas, will hold up to 30% less GHG emissions per unit of volume.

NUTRITION FRAMEWORK TO DEFINE OUR FOCUS

We have created a Paulig Nutrition KPI Framework to define what we mean by a product enabling health for people. The framework is based on and aligned with scientific evidence and authority recommendations, and it has paved the way for evaluating our product portfolio and roadmaps for the future.

DEFORESTATION POLICY PUBLISHED

In early 2022, we published the Paulig Deforestation Policy where we commit to working collaboratively to eliminate commodity-related deforestation from our supply chains as part of our sustainability approach.



FOOD WASTE CALCULATOR

Paulig invited households to join the effort to cut the food loss and waste through the food waste calculator launched by Paulig and the Natural Resources Institute Finland (LUKE). As many as over **55,000 persons** have already calculated their waste figure.

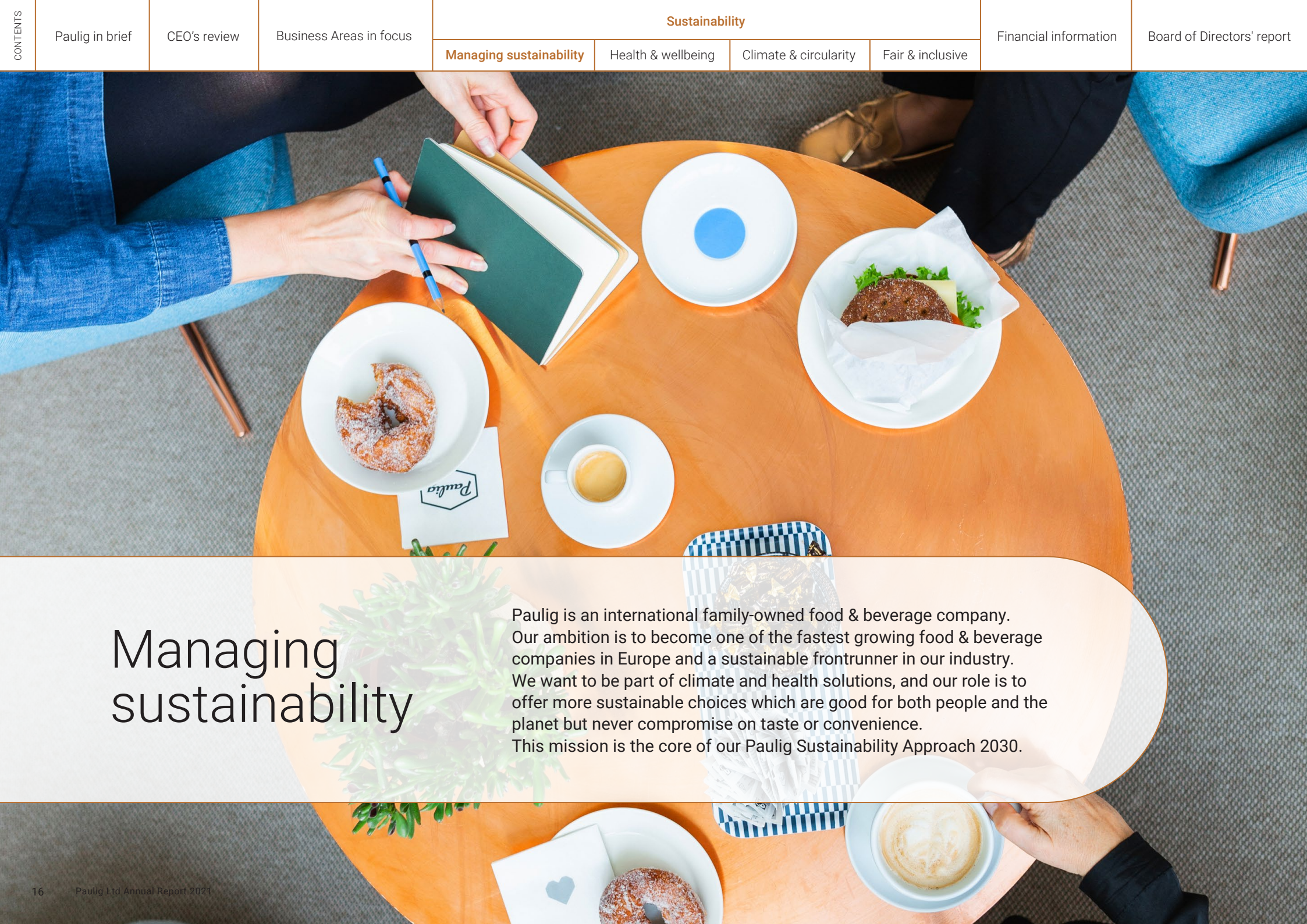
SUPPORTING CHILDREN TO RETURN TO SCHOOLS

For several years, Paulig and Save the Children have worked together to improve **children's rights and enrolling in school in India**. Now, with India severely hit by the COVID-19 pandemic, continued actions are of utmost importance and Paulig is strongly committed to the collaboration.



STUDY OF VALUE CHAIN FOOD LOSS

In cooperation with Helsinki Centre of Sustainability Science, Paulig conducted a theoretical study on food loss potential on its value chain. The study helped us understand the main reasons behind the food loss in the production of many of our **raw materials such as coffee, wheat and spices**.



CONTENTS	Paulig in brief	CEO's review	Business Areas in focus	Sustainability				Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & circularity	Fair & inclusive		

Managing sustainability

Paulig is an international family-owned food & beverage company. Our ambition is to become one of the fastest growing food & beverage companies in Europe and a sustainable frontrunner in our industry. We want to be part of climate and health solutions, and our role is to offer more sustainable choices which are good for both people and the planet but never compromise on taste or convenience. This mission is the core of our Paulig Sustainability Approach 2030.

Journey towards transforming food culture

Two years ago, we set a strategic ambition to be a sustainable frontrunner within the food and beverage industry. To achieve this, we created the **Paulig Sustainability Approach 2030**, which sets a clear direction for Paulig and all of our brands during this decade.

The most threatening challenges of our time are climate change and the loss of biodiversity and urgent measures are needed to mitigate the related risks. The food industry is part of this problem, but it can also be a changemaker towards a sustainable food system. Our sustainability approach defines the actions we take for the people and planet.

As an international food & beverage company we exist in the middle of the food value chain, which gives us a prime position to not only take actions by ourselves but to influence both directions within the chain. By working together with our partners, we can

address and improve issues at the root of where our raw materials come from.

At the other end of the value chain, our role is to offer new flavours and inspire consumers with more sustainable choices that do not compromise on taste or convenience.

As a food & beverage company, we must also recognise the fact that the way we currently eat does not always support the health and wellbeing of people. Here, we also want to be part of the solution and provide consumers with products and services that enable the health and wellbeing of both people and the planet. For this, we have developed our nutrition framework that will encompass our work in the future, and guide us in developing our products in a healthier direction.

While doing all this, we continue to develop our values-driven company culture to ensure that all of our employees as well as

partners perceive Paulig as a fair and inclusive company.

The Paulig Sustainability Approach 2030 is based on three prioritised United Nations' Sustainable Development Goals and has three focus areas with long-term ambitions:

- **Health and wellbeing of people and planet,**
- **Climate action and circularity and**
- **Fair and inclusive way of working.**

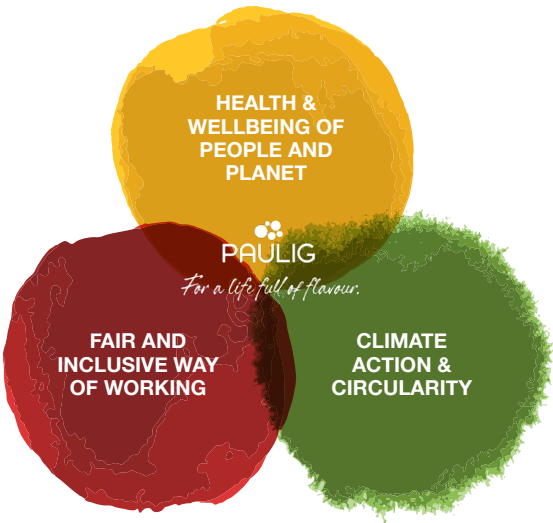
The roadmap towards our 2030 ambition and the strategic sustainability initiatives are included in our three-year business strategy. Sustainability is reflected not only in our product portfolio and operations, but in everything we plan to do today and in the future.

AMBITION

70% of our net sales comes from products and services which enable the health and wellbeing of people and the planet

AMBITION

100% of raw materials from high-risk areas come from sustainable sources verified by external parties



AMBITION

- 50% less GHG emissions in our value chain
- 80% less GHG emissions from our own operations
- All our packages will be recyclable and made from renewable or recycled materials
- 50% less food loss in our value chain

Our climate targets have been approved by the Science Based Targets initiative.



Key enablers: Resource efficiency, Transparency, Partnership, Dialogue, Digitalisation, Regenerative agriculture



Focus areas and how we are progressing towards our ambition

FOCUS AREA	AMBITION 2030	PROGRESS 2020–2021	FOCUS 2022–	STATUS
HEALTH AND WELLBEING OF PEOPLE AND PLANET	70% of net sales comes from products and services which enable health and wellbeing of people and the planet.	<p>Health framework and criteria development for defining products healthy for people finalised.</p> <p>Baseline for the ambition finalised, and the status calculations regarding products healthy for people performed. Currently, 49% of net sales comes from products that enable health for people.</p>	<p>Completion of status evaluation of products healthy for people and communication of Paulig's nutrition framework.</p> <p>Development of framework and baseline calculations of products healthy for the planet.</p>	On track
CLIMATE ACTION AND CIRCULARITY	<p>80% less GHG emissions from own operations,</p> <p>50% less GHG emissions in our value chain.</p>	<p>Our climate targets approved by the SBTi.</p> <p>Strategic initiatives for 2022–2024:</p> <ul style="list-style-type: none"> Carbon neutral own operations 2023 – achieve 100% of our sites Carbon-Neutral® certified. 18% emissions reduction in own operations due to increased sourcing of renewable electricity and improved energy efficiency. Vuosaari Roastery (FI), Landskrona (SE), Mölndal (SE), Gold&Green Helsinki (FI) and Robert Paulig Roastery (FI) production sites CarbonNeutral® building certification. <p>Value chain emission reduction focusing on wheat and coffee – Lantmännen partnership and project to evaluate emission reduction potentials in coffee origin countries.</p>	<p>Continue developing site-specific roadmaps towards emission reduction targets for 2022–2024.</p> <p>Continue identifying and initiating emissions reduction projects together with suppliers in coffee and wheat value chains.</p> <p>24% emissions reduction in own operations due to increased sourcing of renewable electricity and improved energy efficiency.</p> <p>Milton-Keynes (UK) and New Roeselare (BE) production sites CarbonNeutral® building certification.</p> <p>Develop product-level carbon footprint calculations.</p>	On track
	All our packages will be recyclable and made from renewable or recycled materials.	<p>Strategic initiative for 2021–2024 defined: focus on recyclability of packaging.</p> <p>Criteria for recyclability defined based on CEFLEX guidelines.</p> <p>Recyclability baseline calculated, 85% of Paulig's consumer packages are recyclable.</p>	Recyclable packaging development and GHG emission reporting on packaging.	On track
FAIR AND INCLUSIVE WAY OF WORKING	100% of raw materials from high-risk areas come from sustainable sources verified by external parties	<p>Paulig basket of accepted standards and 3rd party verification methods defined.</p> <p>Further building of roadmaps and key KPIs for tracking progress towards 2030 ambition.</p> <p>Strategic initiative for 2021–2024 identified: focus on sustainable sourcing of spices. Top spices, verification targets and roadmaps identified.</p> <p>For top three spices, 32% from externally verified sustainable sources in 2021.</p>	<p>Continuing the building of roadmaps for further raw materials.</p> <p>Implementation of key targets in sustainable sourcing of spices focusing on black pepper, onion, Indian chillies, oregano and cumin.</p> <p>Training relevant stakeholders on the Paulig basket of accepted standards and 3rd party verification methods.</p>	On track

Commitment to UN Sustainable Development Goals

Paulig is committed to the UN Sustainable Development Goals. As an international food and beverage company, we recognise our impact and the role we play in achieving these goals globally.

We can be a small but significant force in transforming the food system and, with our ambitious approach, we want to accelerate the change. We strongly believe the whole industry should do the same and we invite others to join us on this journey.

We have prioritised three goals as the areas where we have the biggest impact:

- Decent work and economic growth
- Responsible consumption and production
- Climate action.





A year full of flavour and learnings

“ With the second year of our Sustainability Approach 2030 in the box, we can already reflect several learnings and achievements.

First of all, one major component for the successful ten-year journey is setting clear short-term milestones and integrating these in to the business strategy. With the shorter period of strategic sustainability initiatives, we gain better insight, encourage integration into business and operations as well as notice faster whether we are on track or not.

Great examples of our milestones are the carbon neutral certifications of our factories, recyclable packaging development and logistic emission reduction target of -25% by 2025, as well as roadmaps for external verifications to our top spices.

Secondly, besides the persistent work we are doing, we have recognised great potential within Paulig, that has been just waiting to be unleashed. Our new sustainability initiatives both urge novel solutions as well as push and enable growth in our business. Our newly established nutrition framework guides our development work towards healthier products and services.

Thirdly, the fresh openings with our partners – such as with the agricultural cooperative Lantmännen in Sweden, to implement climate-smart plant nutrition and precision farming – are great sources for learning for the whole value chain. When someone already has a solution, let's say for carbon sequestration, it proves also for others that our vision of halving our value chain emissions is doable.

As we have many irons in the fire, one of the success factors is to keep our focus clear and mark out where we will put our efforts to make the greatest positive impact to people, societies and the planet.

I'm impressed by the achievements we have already made.
Let's keep up the good work and collaboration! ”

Lea Rankinen, Director, Sustainability and Public Affairs



We have recognised
great potential within
Paulig, that has been just
waiting to be unleashed

Sustainability governance & development process

In February 2021, Paulig's Leadership Team approved an internal governance model for sustainability, formalising the roles and responsibilities for steering our actions. This clarifies our decision-making, target setting and reporting practices, hence furthering the implementation of our strategic sustainability initiatives as well as ensuring accountability.

Our operating environment is changing at a dizzying rate. To ensure our sustainability programme is up-to-date and we are focusing on the right topics, our approach needs to be reviewed regularly. Our Strategic Sustainability Development Process details how we are to monitor and consider the expectations of our different stakeholder groups and the impacts of global trends and external factors on our sustainability programme.

Sustainability governance model

The commitment to our ambitions starts with our Board of Directors. The Board approves focus areas for our sustainability work, and reviews the development as well as the annual sustainability reporting.

The responsibility for defining and steering our sustainability work is with the Paulig Leadership Team, that defines and approves the sustainability approach focus areas and targets, as well as acts as a steering group for the strategic sustainability initiatives.

During 2021, we set up the Sustainability Management Group with representatives from different business functions and business areas. The group meets quarterly to oversee the performance of the sustainability initiatives and to support the alignment with business activities.

The Sustainability Team is responsible for strategic sustainability development and leading our actions towards our strategic ambitions and initiatives. It also provides internal consulting, and is responsible for stakeholder engagement.

Furthermore, our Business Areas and Business Functions are in charge of aligning the strategic sustainability initiatives and targets with their annual planning, and integrating those into sourcing, production and product development processes.

Sustainability governance model formalises our roles and responsibilities

Sustainability Governance Model

PAULIG BOARD	<ul style="list-style-type: none"> • Approves focus areas and targets for our sustainability work • Approves strategic sustainability initiatives as part of the company strategy • Reviews sustainability development, KPIs and the annual sustainability reporting
PAULIG LEADERSHIP TEAM	<ul style="list-style-type: none"> • Approves Paulig level sustainability principles and policies • Defines and approves sustainability approach focus areas (incl. targets, roadmaps and KPIs) • Acts as a Steering Group for the strategic sustainability initiatives • Reviews sustainability development, implementation, KPIs and the annual sustainability reporting
SUSTAINABILITY MANAGEMENT GROUP	<ul style="list-style-type: none"> • Proposes adjustments to sustainability approach and initiatives • Supports prioritisation and steering of sustainability implementation • Validates the performance and oversees sustainability risk management
SUSTAINABILITY TEAM	<ul style="list-style-type: none"> • Responsible for sustainability strategic planning, development and initiatives, leading strategic sustainability initiatives • Provides internal consulting, supports sustainability implementation, follows up the performance • Ensures necessary processes and policies are in place • Monitors and assesses trends, expectations and policy & regulation developments • Leads stakeholder engagement and public affairs programme
BUSINESS AREAS & FUNCTIONS	<ul style="list-style-type: none"> • Align sustainability approach, strategic sustainability initiatives and roadmaps with annual planning • Integrate strategic sustainability initiatives and targets into sourcing, production and product development processes



To ensure we meet the increased external expectations, we will further develop our human rights due diligence process, establish Paulig’s human rights principles and update our Code of Conduct for Suppliers

We work for ethical business conduct

Through our Ethical Principles, we are committed to respecting the United Nations’ Universal Declaration of Human Rights in all our operations. Our ethical principles also define our desire to promote ethical behaviour beyond laws and regulations. Paulig’s Code of Conduct for Suppliers strengthens our values-based business approach and ensures that the same ethical principles are shared and applied in our value chain.

There are number of policy developments underway that will require Paulig to review our policies and processes next year. The EU is working towards introducing new legislation on sustainable corporate governance including human rights and environmental due diligence expectations, and amfori BSCI’s updated Code of Conduct was released at the end of 2021, to name a few.

Therefore, we will further develop our human rights due diligence process, establish Paulig’s human rights principles and update our Code of Conduct for Suppliers during 2022 to ensure

they align with these increased expectations. We have also identified the need to further develop our guiding policies by addressing issues such as deforestation.

Our policies and guidelines are available at pauliggroup.com/sustainability/managing-sustainability.

Blowing the whistle for ethical concerns

All Pauligians complete online training on our ethical principles as part of the onboarding programme. The purpose of the training is to ensure our ethical principles are reflected in our methods and daily work.

We want our employees to feel comfortable with voicing dissenting opinions and concerns at the workplace. Paulig’s personnel in all operating countries can raise possible issues anonymously through a whistleblowing tool maintained by a third party and available in six languages.

In 2021, the whistleblowing tool was extended to our external stakeholders by providing a separate channel for them to report misconduct on our part. We encourage the external stakeholders primarily to contact a manager at Paulig, but the anonymous whistleblowing tool ensures that we receive feedback even if the person feels that they cannot be open with their concern.

In 2021, eight cases were received via the whistleblowing tools, of which one did not qualify as a whistleblowing case. All cases were HR or people-related, and the reported breaches and non-conformities are evaluated and investigated by a dedicated team. Their actions are logged and handling is confidential. A person reporting a genuine suspicion or raising a concern will not be at risk of suffering any form of sanction or personal disadvantage as a result. Cases are reported annually to Paulig’s Board of Directors.



Managing risks, tapping into opportunities

Aligned with our new sustainability approach, we carefully identified and considered the most important sustainability risks and opportunities for Paulig. On the top are human rights, climate change, deforestation and loss of biodiversity as well as the increasing regulatory related to these topics.

Together with our general risk management, implementation of our sustainability programme is the key instrument for mitigating risks and, on the positive side, benefitting from the opportunities.

Our new sustainability governance model further strengthens the systematic monitoring and managing of sustainability risks. As an example of a comprehensive risk mitigation plan, we have created strategic sustainability initiatives for coffee, wheat and spices as important categories of raw materials for Paulig. We also work proactively in support of addressing climate risks in coffee through Coffee & Climate Initiative.

In our value chain

Human rights

When it comes to human rights risks, we must consider how our actions affect people and communities. This perspective differs from normal risk management processes and requires the severity and probability of risks to be assessed in a different manner. There are also reputational and regulatory risks associated with adverse human rights impacts in our value chain or our operations.

We are continuously working on mapping the risks related to human rights as part of the overall risk assessment. We apply diligent process when assessing suppliers' human rights related risks through country risk assessments, supplier self-assessments and audits.

The Paulig Code of Conduct for Suppliers stipulates the minimum requirements our suppliers must abide by. We will review and update our Code of Conduct for Suppliers during 2022 and develop our human rights policy framework further.

We continuously develop our processes and are building more systematic due diligence processes with our suppliers and

other partners to ensure respect for human rights both throughout the value chain. Furthermore, we aim to continuously increase the knowledge of the human right topics within our organisation.

Paulig welcomes the EU's efforts to introduce a new human due diligence legislation. The mandatory human rights due diligence would foster the necessary transformation towards respect for human rights across different sectors and ensure that efforts by companies are not undercut by the lack of a uniform standard of conduct.

Climate change

Climate change is the most significant long-term sustainability risk for Paulig. As a result of climate change, evolving and extreme weather conditions, such as drought, heavy rains and heat waves, as well as increasing water stress and decreasing biodiversity may cause severe impacts on farming conditions and the availability of our important raw materials. This is particularly the case for sensitive crops such as coffee.

Our biggest climate impacts are in our value chain and linked to the raw materials we use in the manufacture of our products (e.g., green coffee, wheat). Therefore, we focus our climate actions on working with current partners to adopt sustainable farming practices, look for new raw materials and partners as well as search for new business models that further support the circular economy.

Our sustainability programme is a key instrument for mitigating risks and tapping into opportunities

CONTENTS	Paulig in brief	CEO's review	Business Areas in focus	Sustainability				Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & circularity	Fair & inclusive		

We are exploring different climate-smart farming methods to reduce our emissions and limit the global temperature increase according to the Paris Agreement’s 1.5°C target.

Biodiversity and deforestation

We have identified biodiversity and deforestation as areas where we do not have sufficient understanding of our impacts and the related risks deeply enough. During 2022, we plan to pilot mapping the deforestation risks within our main forest risk commodities value chains. We will closely participate to the discussion and regulatory development on the EU level, tools and methods development in risk mapping and utilise our collaboration platforms for information sharing.

In early 2022, Paulig published a Deforestation Policy where

we commit to working collaboratively to eliminate commodity-related deforestation from our supply chains as part of our sustainability approach. We are committed to only engage in deforestation-free supply chains and we require the same from all our suppliers. We will continue our efforts to mitigate deforestation risks by advancing sustainable sourcing practices and sourcing verified sustainable raw materials.

In our own operations

Product safety and quality

As a food and beverage company, product safety and quality are focal issues for us. 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. Supplier management, including risk-based audits, are important preventative activities mitigating the risk of food safety or quality problems.

Work safety

The health and safety of employees is a top priority for us, and the related indicators are monitored monthly by Paulig’s Leadership Team. However, this area requires continuous attention and a proactive and preventative approach is the most important tool. This includes, for example, continually increasing our employees’ safety awareness, assessing and observing risks systematically and inspecting and auditing our safety practices.

Paulig Deforestation Policy published

Protecting and restoring forests is an essential part of the effort to tackle the loss of biodiversity and to mitigate climate change. In the new Paulig Deforestation Policy we commit to working collaboratively to eliminate deforestation from our supply chains. We are committed to only engage in deforestation-free supply chains and we require the same from all our suppliers.

We aim to proactively address the potential risks for agricultural land expansion into forested areas. We will do this in close collaboration with our supply chain partners and farmers in the countries of origin of raw materials. We will continue our efforts to mitigate deforestation risks by advancing sustainable sourcing practices and sourcing verified sustainable raw materials. The new policy reaffirms our already existing practices of responsible sourcing and verifications requirements for key commodities related to deforestation. These requirements are taken into account in our product development and sourcing/supply chain processes.

In terms of deforestation, the most relevant raw materials that are currently sourced by Paulig include palm oil, soya, coffee, cocoa as well as wood-derived products, such as paper and fibre-based packaging.



Collaborating with our stakeholders to make an impact

Understanding the views and expectations of our various stakeholders helps us focus our sustainability work on the right issues. We believe that by collaborating with our stakeholders and engaging them in dialogue, we can find solutions that benefit people and our planet on a wider scale as well as future-proofing our business.

Consumers and customers

Our consumers expect tasty, healthy and sustainable products and services that they can safely enjoy. They can reach us through our consumer service channels and social media. We receive questions regarding, among other topics, food waste and our ac-

tions to reduce it, the health aspects of our products and the recyclability of our packaging. We also provide consumers with inspiration and information in the form of various food recipes.

Our customers are our partners who sell our products to consumers, such as in the retail and food service industry. We are happy to see that we have a common ambition in moving towards a more sustainable food chain. This means that we need to be aware of and understand their expectations regarding topics such as transparency, ethical business conduct and climate action. Collaboration is the key to achieving great results, and we believe it is highly beneficial to align efforts with our customers when it comes to, for example, packaging recyclability or carbon

emissions reductions.

During 2021 we developed a process and tool to improve handling of our customer requirements. We are also using a common reporting tool for our consumer feedback data.

Owners and employees

Throughout our history of 145 years, we have been a company of constant renewal and innovations, and our owners want to leave a sustainable business for generations to come. Our owners have a long-term interest in doing business in a way that respects natural resources, the environment and human rights. Our sustainability ambition is born from that interest and intention.

You can find us on Facebook, Instagram, LinkedIn and Twitter, and find our experts by using the hashtags #mypaulig and #pauligflavour

CASE

Joining forces to promote sustainable coffee cultivation

In autumn 2021, we extended our collaboration with K Group, the second biggest retailer in Finland, to support the livelihood of coffee farmers and sustainable cultivation practices. The customers of K grocery stores were able to support the project by buying Paulig's Rainforest Alliance or UTZ-certified city coffee.

K Group and Paulig have been partners for a long time, and planting coffee plants supports both companies' sustainability work and goals as well as invites coffee lovers to take part in the effort.

Five years ago, Paulig established its own partnership programme in Nicaragua that involves dozens of family-owned small farms. The partner farms are located in the village of San Jose de la Luz. Around 90% of the village's residents earn their livelihood from coffee. Paulig has also supported the local community before for example, through a school project and by building a coffee processing plant.

As a result of the campaign, we will plant 86,000 new coffee plant seedlings at Paulig's partner farms in Nicaragua. The planting starts in spring 2022, and the progress can be followed in Paulig social media.

Pauligians, who number over 2,000 people, are the key asset to our success. They have shown great interest and support in our sustainability ambition – and are central to turning our ambition into action.

Our suppliers and local communities

Many of our largest impacts derive from our value chain. To mitigate those, we need the right partners. Finding and working with the right suppliers also makes it possible to produce the high-quality and tasty products we are known for.

We collaborate actively with our suppliers and other operators, such as non-governmental organisations, to enhance sustainable farming practices and better business skills in the countries of origin. Moreover, we support the welfare of the local communities in our value chain, for instance, through building schools and giving hurricane relief in South America. In collaboration with Save the

Children we aim to decreasing the vulnerability of children by making sure more children are enrolled in school in India.

Non-governmental organisations and research institutes

We recognise NGOs and research institutions as important partners for us in developing and broadening understanding of our impacts and future expectations. We want to make sure we use our resources wisely, which means our actions need to be based on scientific frameworks. Due to the complexity of the issues, the expertise of research institutes or universities is needed. For example, in collaboration with the University of Helsinki, we have investigated the quantity of food loss generated at the beginning of the food supply chain.

Industry organisations and collaboration platforms

Paulig is an active member of local industry organisations in our countries of operations. We are also a member of collaboration

platforms. Some examples of our active collaboration:

- Paulig joined amfori BSCI in 2020. amfori offers us an important tool towards our ambition of having all of our raw materials from risk areas externally verified sustainable by 2030. Furthermore, amfori offers us a network for cooperation and dialogue, and a channel for shared advocacy work. Paulig is presented in the amfori Board of Directors.
- The European Spice Association (ESA) offers us an effective platform to learn and share when it comes to the spice sector.
- Sustainable Spices Initiative (SSI) aims to sustainably transform the mainstream spices sector, thereby securing future sourcing and stimulating economic growth in producing countries.
- The European Coffee Federation (ECF) provides us with an important platform for knowledge sharing, advocacy and collaboration within the coffee sector. ECF is the umbrella organisation for the European coffee industry and Paulig is represented in the Executive Committee as well as in the technical and sustainability committees.
- The Institute for Scientific Information on Coffee (ISIC) is an organisation formed by the largest European coffee companies. ISIC focuses on following and funding scientific research on the health effects of coffee.

Find more information on questions raised by our stakeholders

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Healthy food choices	29
Product safety	34
Climate actions	38
Recyclability of our packaging	44
Food waste	45
Sustainability & human rights in our value chain	55





- We are a founding member of International Coffee Partners (ICP), which has the objective of contributing towards establishing a fair and sustainable coffee sector. Through ICP's Coffee & Climate initiative, together with other value chain actors, we are developing climate change coping strategies to support small-holders adapt to climate change and increase the resilience of the entire sector.

Using our voice

Paulig actively participate in the public discussion on topics concerning our business and our impacts on society. We want to show leadership and be a sustainable frontrunner in the food & beverage industry through clear commitments, open and transparent communications and proactive stakeholder engagement focusing on opportunities and advancing positive development in policy environment.

We leverage our stakeholder work at EU-level, and Paulig representatives take part in discussions and share views regarding policy topics relevant for Paulig, such as sustainability corporate governance, human rights and climate change, acrylamide, deforestation and nutrition and food health. As an example, we joined with other business and non-governmental organisations

in a joint call for an EU-level mandatory human rights and environmental due diligence regulation. Paulig also met key EU Commission and Parliament representatives related to these topics.

Our key messages to the EU

Paulig welcomes the EU's efforts to introduce a new mandatory human rights due diligence, as part of the overall sustainability corporate governance proposal. Mandatory human rights due diligence would foster the necessary transformation towards respect for human rights across different sectors and ensure that efforts by companies are not undercut by the lack of a uniform standard of conduct.

We consider that the legislative proposal should apply to all businesses so that human rights would be respected in entire operations and supply chains as global value chains, and that focus of the regulation should be on companies to build strong due diligence processes. Our view is that the regulation should be based on the existing international standards, the principles defined by the UN, ILO and OECD, and companies should be given a certain flexibility in choosing the means and tools. Furthermore, the expectations must be clear and defined, supported with a proper

Endorsing responsible food business and marketing practices

Global food companies in both manufacturing and trade are expected to take leadership in creating and shaping sustainable food chains. During 2020, the European Commission launched its sustainable food strategy, Farm to Fork, with a series of incentivising and legislative measures waiting ahead to make food systems fair, healthy, and environmentally sound. The main targets of the Farm to Fork strategy are to reduce climate impacts, reverse the loss of biodiversity, and to ensure food security, nutrition and affordability of food, while generating fairer economic returns and trades.

Paulig strongly supports the Farm to Fork Strategy and we were among the first European companies to sign and commit to the EU Code of Conduct on Responsible Food

Business and Marketing Practices, one of the first deliverables of the Farm to Fork Strategy.

In addition, to empower consumers to make trustworthy healthy food choices, and contributing to the prevention of diet-related diseases, the European Commission aims under the Farm to Fork strategy to adopt a harmonised mandatory front-of-pack nutrition labelling by the end of 2022, and develop nutrient profiles and prerequisites for using nutrition and health claims.

One harmonised front-of-pack labeling will lessen confusion and help consumers make healthy choices. It also furthers our internal nutrition work, including product reformulation, health communication and facilitates our operation on different EU markets.

Our economic value creation and distribution 2021, MEUR



monitoring and enforcement mechanism. In addition to legislative measures, also other forms of cooperation and engagement should be incentivised.

Paulig also supports EU's climate ambitions. Protecting and restoring forests is an essential part of the effort to tackle the loss of biodiversity, to mitigate climate change and to meet the objectives of the Paris Agreement.

Furthermore, we support the EU-level initiative to curb deforestation and forest degradation that are caused by EU consumption and production, and implementation of a smart mix of measures to combat deforestation more effectively and ensure level playing field for the industry.

We think that existing corporate voluntary commitments, third-party certification schemes and different initiatives between companies and communities are essential to reducing deforestation and should not be disregarded. It is also important that the product-based due diligence requirements relating to deforestation and high-risk commodities are proportionate and in line with the EU's broader sustainable corporate governance framework.

Our economic impact

We are an international company and we have direct and indirect economic impacts on the economies in which we operate.

Our direct economic impacts include purchases of goods from suppliers, wages and benefits paid to employees, dividends paid to shareholders, and income taxes paid to the public sector. Our biggest indirect impacts relate to the supply chain. We source raw materials, products and services from nearly 80 countries, thereby creating business and job opportunities along the value chain.

Our tax payments and policies

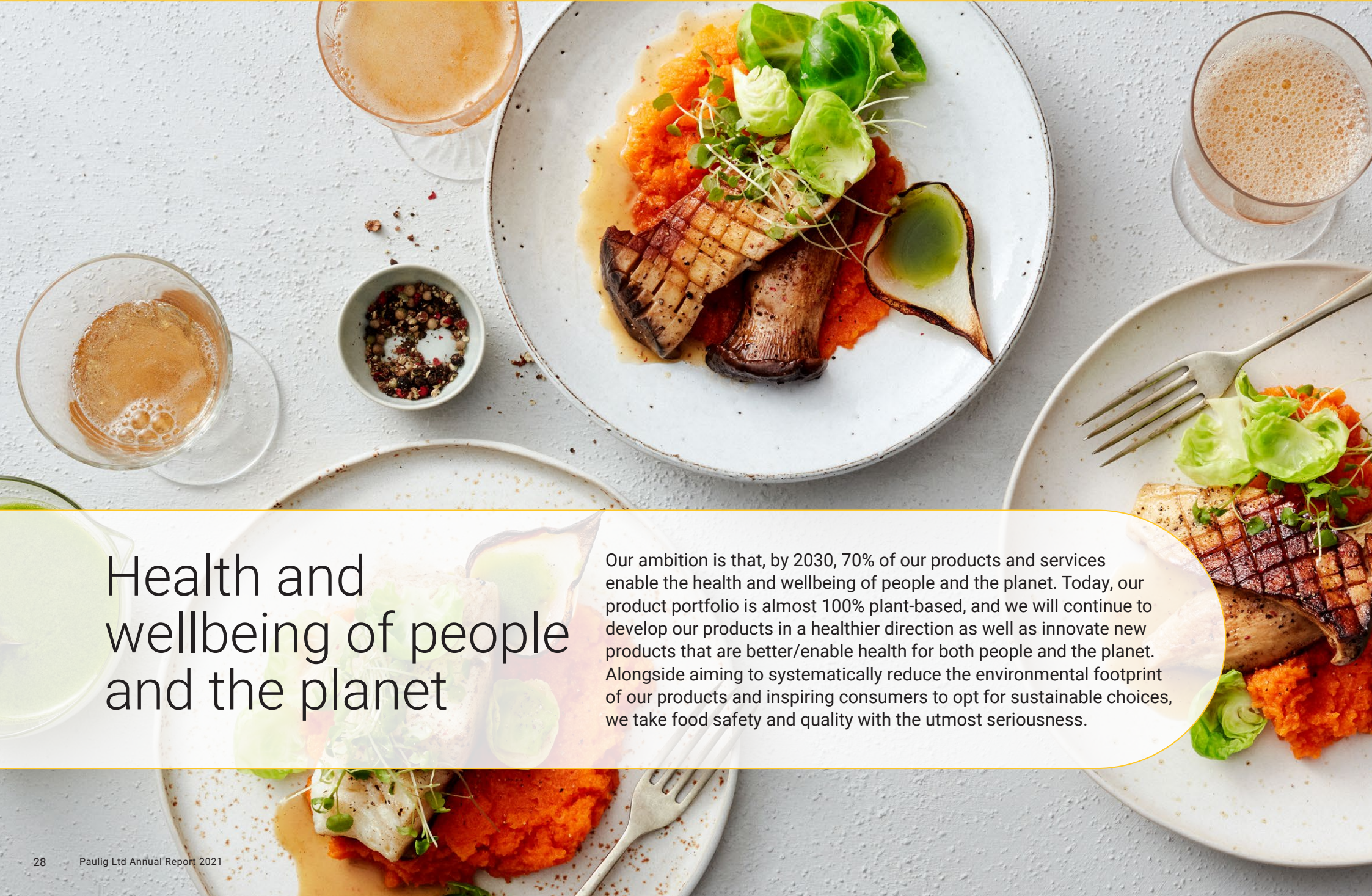
We are committed to following the tax regulations and paying and collecting all relevant direct, indirect and other taxes according to the applicable tax legislation in all the countries in which we operate.

In 2021, the direct income taxes paid by Paulig were EUR 20 million, of which approximately 34% was paid in Sweden, 32% in Belgium, 20% in Finland and the rest in the other countries in which we operate.

In addition to direct income taxes, we contribute to society in the form of pension and social security contributions, payroll taxes, value added taxes, customs duties as well as excise, real estate and environmental taxes. Payroll-related tax payments and VAT constitute the largest part of our tax footprint.

Our business models are based on commercial reasons and taxes are paid according to value creation. Our transfer pricing policy is based on the arm's length principle and we follow the OECD Transfer Pricing Guidelines as well as local transfer pricing regulations in the countries in which we operate. To ensure transparency in taxation, we are committed to complying with all applicable tax reporting obligations as well as disclosing the necessary information to tax authorities promptly when requested.





Health and wellbeing of people and the planet

Our ambition is that, by 2030, 70% of our products and services enable the health and wellbeing of people and the planet. Today, our product portfolio is almost 100% plant-based, and we will continue to develop our products in a healthier direction as well as innovate new products that are better/enable health for both people and the planet. Alongside aiming to systematically reduce the environmental footprint of our products and inspiring consumers to opt for sustainable choices, we take food safety and quality with the utmost seriousness.



AMBITION 2030

70%
of our net sales comes
from products and
services which enable
the health and wellbeing
of people and the planet

Road to our ambition

Already today, our product portfolio is almost 100% plant-based, and we have been developing healthier products for years.

To add to this, we have now set a robust course towards the sustainability ambition of 70% of net sales in 2030 coming from products and services which enable the health and wellbeing of people and the planet.

To set actions in motion, we have created a nutrition frame-
work to define what we mean by a product enabling health for
people. The framework was completed during 2021, and it has
paved the way for evaluating current status, continuous monitor-
ing and development of our product portfolio. The framework
helped us in the identification of focus areas and the creation of
an overarching roadmap to realise our health ambition by 2030.

Next, we will move on to developing a framework to evaluate and
identify focus areas enabling health for the planet.

Ensuring a life full of flavour for all generations

Feeding a growing population with nutritious and healthy foods
within our planet's environmental boundaries is a challenge. At
the same time, it is crucial for a sustainable future. The issue was
addressed by the EAT-Lancet commission in a widely read scien-
tific report published in 2019. It shows that a sustainable food
system is possible with targeted and joint efforts. At Paulig, we
are taking our role seriously in joining the effort.

Unhealthy diets may increase the risk markedly of morbidity
and mortality, while global food production puts a great strain on



the climate and the ecosystem. Availability of nutritious food is crucial to nourish the growing population and creates prerequisites for public health.

The necessary transition to a sustainable food system is also an opportunity for Paulig to provide sustainable options that meet the demands of consumers today and in the future.

Paulig Nutrition Framework to define our way forward

Our ambition is that 70% of our net sales comes from products that enable the health and wellbeing of people and planet by 2030. During 2021, we focused on developing the definition of a product that “enables health for people”.

For us it is important that our definition is based on and aligned with scientific evidence and authority recommendations, and that we have a means for proper or reliable guidance in our work towards our ambition. For that, we created a nutrition framework through which we can evaluate our entire portfolio of food and mixed drinks*.

Paulig’s nutrition framework is based on the front-of-pack nutrition label Nutri-Score, which is developed by independent

researchers. The label is today the most widely used nutrition label in the EU, and also endorsed by the World Health Organisation’s International Agency for Research on Cancer (IACR) and the European Consumer Organisation (BEUC). Nutri-Score includes well-established nutrients and food groups known to affect health to be utilised in evaluating products.

In Paulig’s nutrition framework, the criteria are further developed to align even better with dietary recommendations and account for all type of foods that may contribute to the development of food products that enable health for people. In addition to the original Nutri-Score parameter for healthy foods i.e., fruit, vegetables, herbs, legumes, nuts, and olive, rapeseed and walnut oils, we also include seeds, pure spices, whole grains and grind or flours of foods defined as healthy, in Paulig’s nutrition framework.

For the vast majority of Paulig’s product groups, the Nutri-Score limit is set to green, i.e., score A or B, in order to support our health ambition. All products are being judged per 100 grams by their content of nutrients, like salt. Therefore, for concentrated products that are supposed to be diluted or consumed in small amounts, such as spice mixes, mustard or grill oils, the limit score is C.

Nutri-Score to help consumers make healthy choices

The colour-coded Nutri-Score is currently the most widely used front-of-pack nutrition label on the EU market today.

Nutri-Score is developed by independent researchers and was adopted in 2017 by the French Public Health Agency. A dynamic approach is used to evaluate the health status of products. So, instead of fixed cutoff values for certain nutrients, Nutri-Score combines and summarises several parameters contributing to the final score.

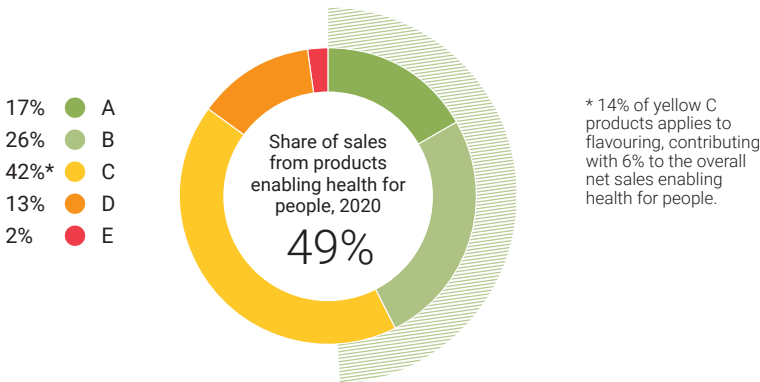
At Paulig we see benefits of Nutri-Score for public health and product reformulation, thanks to the dynamic approach of a summary score which gives more freedom in product reformulation. This approach increases possibilities for developing tasty and attractive healthier products.

Paulig is in favour of that harmonised front-of-pack nutrition labelling system should be based on Nutri-Score. But we also see that it needs to be developed further to fairly judge different categories, like for example drinks. Also, we see that it needs to align somewhat better to dietary recommendations, to acknowledge for example seeds and whole grain as categories yielding “healthy points”, in the same way nuts and legumes currently are.

Nutri-Score sums up ‘less healthy plus points’ and ‘healthy minus points’ – the lower score the better – and creates a final colour-coded score of A to E that classifies the food according to their nutritional quality.

- The parameters contributing to less healthy scores include energy, sugar, saturated fat and sodium.
- The parameters contributing to healthy scores include fibres, protein, and the parameter fruit & vegetables, also including other healthy foods such as herbs, legumes, nuts and olive, rapeseed and walnut oil.

Paulig Nutrition KPI Framework:
Paulig portfolio current status, assessing the sales share from products enabling health for people



We put a lot of effort into lessening confusion and helping consumers make healthy choices



The Nutri-Score is used on products with mandatory nutrient declaration, while Paulig’s nutrition framework covers all our foods*, such as pure herbs and spices that are not required to have a nutrient declaration.

In 2021, we completed the first evaluations and set the base-line for the year 2020 as a starting point. At this stage, we evaluate our portfolio based both on the official Nutri-Score criteria as well as our own further developed Paulig Nutrition KPI Framework.

Based on the review, we identified the focus areas and outlined opportunities that will take our portfolio towards the ambition of 70% net sales from products enabling health for people. This includes incorporating Paulig’s nutrition framework in our product development and innovation processes, guiding our work on-wards. Besides, we are continuously keeping our eyes on the EU frameworks, guidelines and regulations within nutrition and sus-tainability, which we aim to both align with, give input to, and to exceed.

Our next step is to develop the framework to define products

enabling health for the planet, to complete the groundworks for the whole health ambition.

* Our pure drinks, coffee and tea, are exempt from the nutrition KPI framework since they contain negligible amounts of energy, carbohydrates, protein or fat by which to be evaluated. Instead, Paulig supports the Institute for Scientific Information on Coffee and also directly supports research projects on coffee and health.

Responsible use of nutrition and health claims

The European Commission aims to put forward a proposal of har-monised mandatory front-of-pack nutrition labelling, and develop nutrient profiles and prerequisites for using nutrition and health claims. We warmly welcome and support the ambitions on an EU level to help and enable consumers to make healthy food choices.

One harmonised front-of-pack label will lessen confusion and help consumers make healthy choices. Furthermore, the develop-ment of nutrient profiles helps ensure that nutrition and health claims are used in a responsible way and carried by foods with a healthy enough overall nutrient composition. At Paulig, we are al-

ready putting a lot of effort into the responsible use of nutrition and health claims.

We use the Paulig nutrition framework to identify when a food is suitable for a nutrition or health claim. Moreover, internal educa-tion material has been developed for concept and product devel-opers, marketers and communicators, to increase the under-standing of what claims are allowed and the legal prerequisites for their use. All new health claims or insecurities around nutrition claims are to go through an evaluation process at Paulig’s Legal Advisory Board. Furthermore, we have adopted internal policies around prerequisites, such as for the claim “No added sugar”.

Continuously developing our products

To meet our ambition in 2030, we are working continuously to steer our product development and thus our offering in a healthier and more sustainable direction.

Customers and consumers shall not have any concerns re-garding our products, whether they are wondering what ingredi-

ents are in the products and why they are there, and how these ingredients might affect their health.

In innovating new products and recipes, we consider health aspects early in the product development processes. We have previously done, for example, reductions of the amount of salt in Santa Maria products by 250 tonnes and sugar by 500 tonnes during a four-year period. During 2021, the focus was on the spice mixes, and a new no-salt Taco Spice Mix was launched in the Netherlands.

We have replaced a number of additives with herbs, spices and natural ingredients to meet consumer expectations, and palm oil

has been replaced with rapeseed or sunflower oil in all Santa Maria products and Frezza coffee beverages, resulting in lower amounts of saturated fat.

Making good choices easy and tasty

The shift from animal to plant-based that is needed to support health for people and the planet does not come easy for all. One of the major obstacles for eating more plant-based food is the fear that the final result simply does not taste good. We want everyone to succeed in preparing vegetarian food. That is why we develop tasty vegetarian products and provide delicious recipes.

Beetroot and Carrot tortillas

With the launches of both Carrot and Beetroot tortillas, we want to provide consumers with more variation and vegetarian options. Santa Maria's new beetroot and carrot tortillas, which contain fibre and around 30% vegetables, are given a naturally sweet and mild taste. Perfect for a green lunch or veggie tacos with the kids.



Next Mex – taking tacos to the next level

Santa Maria's new taco concept, Next Mex, not only tastes great, but also encourages us to add more greens and plant-based protein to our diet. For instance, with a new chickpea chip, made from chickpeas, black beans and green peas and a new spice paste, we inspire to take tacos to the next level.



More seeds and nuts

Risenta campaigns to increase the consumption of seeds and nuts. With Risenta's broadened health concept, we want to consider both nutritional aspects, as well as support mental wellbeing and exercise.





We invest in the future
of sustainable
food culture and
healthier lifestyles

CASE

Early-stage investments for the sustainable future of food

We actively seek innovative products and solutions that are good for both people and the planet. In 2018, Paulig established its venture arm PINC (Paulig Incubator) that invests in early-stage start-ups with a high degree of innovation that share our vision to contribute to a sustainable food culture and promote a healthier lifestyle.

Since its launch, PINC has invested in four start-ups, the first one being the Danish start-up Kaffe Bueno. The company upcycles coffee waste from Paulig's roastery in Helsinki into high-value ingredients for cosmetics, nutraceuticals and functional foods.

During 2020, PINC invested in Swiss start-up MIRAI FOODS, which cultivates animal cells in the lab to grow real meat. The company is one of the very few globally operating cultivated meat players that does not genetically or chemical-ly manipulate cells.

PINC also invested in Swedish start-up Melt&Marble, which has developed yeast as a production platform for tasty and sustainable fats for plant-based foods. By engineering the metabolism of yeasts, the team can precisely mimic any fat structure as well as create completely new fats.

"In addition to ventures that promote circularity and reduce climate impacts, we always look for innovations that improves health", says Marika King, Head of PINC.

For example, childhood obesity is increasing worldwide due to unhealthy diets. Research shows that children who cook feel empowered and encouraged to eat healthy foods.

That is one reason for PINC investing in Carrot Revolution, the founder of Carrot Kitchen, a pedagogical and inspiring cooking app for kids. The app guides the user through a step-by-step process with interactive videos and it is devel-oped in a fun and game-like way.

"In a way, you can call us a corporate impact investor, which is pretty unique and something to be proud of", says Marika King. "We are very excited to be part of the journey of these start-ups and changing the world with them."



Managing Quality and Food Safety

Food safety and quality are top priorities for us, and the foundation when building customer and consumer trust. Our work to secure quality and safety of our products 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, packaging materials and products meet our high requirements. In our own production, we follow all our procedures carefully in everyday operations to ensure that the different process phases never fail. Our quality and food safety work is based on certified management systems, such as ISO 9001, FSSC 22000 and BRC Food. See full list of Paulig's management systems [at page 66](#).

Based on our continued risk assessments involving quality, food safety and food fraud and in order to ensure legal compliance of our raw materials, packaging materials, semi-finished and finished products, we have extensive incoming control plans. We are also always taking learning from incidents in our industry and update our control plans based on them. For instance, ethylene oxide controls have been incorporated into our incoming inspections.

Quality and safety of our products stretches all the way from farms to the consumers' kitchen

One way of ensuring that the quality and food safety of our products meet our customers and consumers expectations is to analyse our finished products frequently. As an example, every batch of coffee that leaves our factories is sensory evaluated by trained tasters. We also monitor, for example, chemical substances such as acrylamide and furan in coffee.

Developing food safety culture and our tools

We continuously develop our common food safety culture at Paulig. While we already have strong local examples, we pursue having a shared food safety culture and tools for the whole company. In 2021, one key activity connected to this was the workshops to define our common quality and food safety vision. In addition, we mapped our core processes and we described their desired state for the future. To assess the progress, an improved and harmonised food safety culture assessment will be carried out in 2022 at each Paulig site.

Legal monitoring and compliance is one of our most important activities, and to improve its efficiency and scope, we will be implementing a new harmonised compliance assessment process and tool during 2022. We have also developed a process and tool to improve handling of our customer requirements, and using a common reporting tool for our consumer feedback data.

During 2021, a new Quality, Environment, Health & Safety (QEHS) organisation was established to further develop and harmonise our internal operations and the implementation of the organisation will continue in 2022. The new QEHS organisation is divided into five teams: Quality assurance, Centre of Excellence, Supplier QEHS, EHS and Customer, Consumer and Regulatory affairs.

Efficient processes for recalls and withdrawals

The health of consumers is our biggest responsibility and priority. Still, we know that things can sometimes go wrong and we must have an efficient process in place to ensure prompt and right kind of actions. During 2021 we initiated three food safety related recalls involving our brands Risenta and Santa Maria, caused by foreign material, presence of unlabelled allergens and wrong ingredients. Many learnings arose from these incidents, such as that the



manual handling of ingredient declarations in our systems can lead to errors or missing information, and we are improving our processes continuously to prevent reoccurrence.

Paulig Legal Forum has been active in addressing, for instance, upcoming legislation related to food safety, packaging materials and food law. The legal forum also provided training for Paulig's marketing, communications, R&D, and quality personnel about marketing claims. Next, also green coffee sourcing and sourcing quality teams will be trained about food safety.

Furthermore, Paulig Legal Advisory Board was established in 2021 to support Paulig quality personnel to interpret food legislation with difficult issues. For now, the board has helped the organisation in eight challenging legislation interpretation cases.

CASE

Learning lessons from herb spice recall

In November 2021 we initiated a recall concerning our product "Örtsalt" (a herb salt). This was due to the fact that the product contained pea fibre which can, on rare occasions, induce an allergic reaction and this was not declared on the product label.

Pea fibre was used in production by mistake but thanks to very quick reactions by a worker, we were able to initiate a recall process before any harm was caused to any of our consumers. Our effective root cause analysis process revealed that our supplier had sent us the wrong raw

material in the right package with the right bar code which made it impossible for the operators to detect this non-conformity in our routine incoming inspection process.

We have learnt an important lesson from this incident and taken several actions to prevent a similar situation from reoccurring. We have improved our incoming inspections routines, deepened cooperation with our supplier, harmonised the way we name our raw materials with our suppliers and improved control of article numbers, among others.



Efficient processes ensure prompt and right kind of actions to safeguard the safety of our products

CONTENTS	Paulig in brief	CEO's review	Business Areas in focus	Sustainability				Financial information	Board of Directors' report
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Climate action and circularity

Paulig is among the forerunner companies in the food & beverage industry and we have set ambitious climate targets approved by the Science Based Targets initiative. Our ambition is to reduce the greenhouse gas emissions from our own operations by 80% and from our value chain by 50% by 2030 from a 2018 baseline. Along with this climate ambition, we have committed to work towards circularity and have set a target that all our packaging will be recyclable and made from renewable or recycled materials by 2030. Furthermore, our target is to halve the food loss in our value chain by 2030.



AMBITION 2030

50%

less GHG emissions
in our value chain

80% less GHG emissions
from our own operations

All our packages will
be recyclable and
made from renewable
or recycled materials

50% less food loss
in our value chain

Road to our ambition

According to the latest reports, food systems contribute to 34% of global anthropogenic greenhouse gas emissions. As a food and beverage company, we have the responsibility to act to develop a more sustainable food system.

Based on a screening of the climate impacts of our entire value chain, we know that our own operations constitute only about 3% of Paulig's total GHG emissions, while most emissions derive from our value chain, most notably linked to the agricultural production of raw materials that we use in our products. Our ambition is to halve the GHG emissions from our value chain, and therefore, we work with our suppliers and partners to adopt climate-smarter farming practices and look for new and more sustainable raw materials. Furthermore, we are working to reduce logistics-related emissions by 25% by 2025.

In our own operations, our ambition is to cut the GHG emissions by 80%. We work to address direct and indirect emissions linked to production, and continue increasing the share of renewable energy, including both gas and electricity. So far, we have achieved an 18% reduction in GHG emissions from the 2018 baseline, bringing us closer to our main goal.

On top of this, to pursue circularity, our packaging development has progressed in leaps and bounds in recent years. Recyclable packaging and renewable and recycled materials are part of our top priorities for the upcoming years. Our first focus is that all our packages are recyclable by 2025. Additionally, we are working towards the target to reduce food loss in our value chain by 50% by 2030.



Climate action

Reducing value chain emissions by 50%

As part of the science-based climate targets, we set an emissions reduction target to halve emissions from our value chain by 2030, from the 2018 baseline. Around 80% of Paulig's value chain climate impacts are linked to the sourcing of raw materials, such as coffee and wheat, and products sourced from around the world. Agricultural production, having the biggest share of emissions within the food systems, is our key focus in achieving our climate goals. At Paulig we believe in the collaborative approach, where we all play a role in reducing emissions – therefore we work closely with our suppliers and farmers, the ones with the power to implement changes directly on the land.

Paulig works with approximately 600 direct suppliers in nearly 80 countries. In the coffee supply chain only, the volume of green coffee sourced by Paulig corresponds to the average annual production of 75,000 coffee farms, approximately 1% of global green coffee production. This means it will take some time and requires effort to plan the needed climate actions together with our supply partners and, furthermore, build the monitoring system to eventually track progress. However, due to the years of efforts in ensur-

ing traceability and verified sources and partnerships programmes, we already have a good foundation on which to build comprehensive long-term climate work.

For the next two years, we will continue focusing on emissions reductions in the value chains of two of Paulig's main raw materials by volume: coffee and wheat, our biggest contributors to climate impact within our product portfolio and value chain.

We are continuously developing our emission factor accuracy. We have fine-tuned the factor based on floating averages of the coffee sourced for 2021, and also taken some learnings from product-level carbon footprint calculation pilots for wheat products such as tortillas.

We have not yet achieved absolute reductions in our value chain GHG emissions compared to the baseline in 2018. Our absolute Scope 3 emissions increased by 6% in 2021 compared to the 2018 baseline. The emission increase is linked to growth in our sales as well as recalculation of the end-of-life treatment of sold products with more accurate data. However, the emission intensity for Scope 3 (tCO2/tonne produced) has reduced by 5%. We expect our value chain emission reduction initiatives will

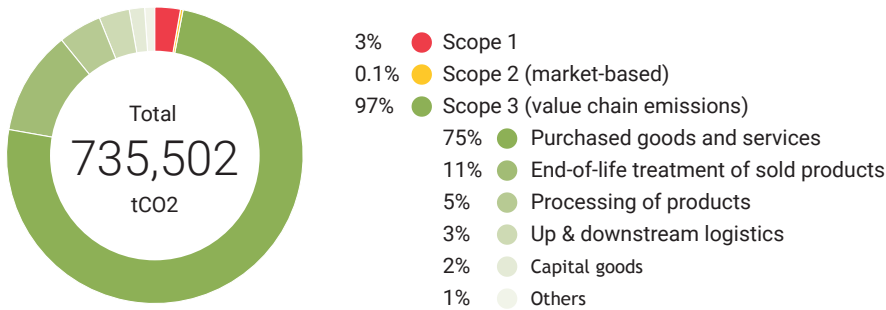
Agricultural production, having the biggest share of emissions within the food systems, is key focus in achieving our climate goals

start to impact in 2022 onwards influenced by the collaboration with Lantmännen for our Swedish supply of wheat flour for Santa Maria tortilla production.

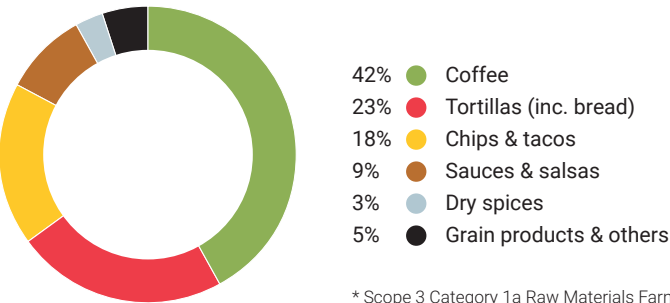
Farming for the future with Lantmännen

During 2021, we took a significant step in the direction of our ambition of halving our value chain emissions when we initiated a sustainable farming partnership with Swedish agricultural cooperative Lantmännen. The collaboration ensures that Swedish far-

GHG emissions from Paulig's operations and value chain 2021



Share of GHG emissions by product group*



* Scope 3 Category 1a Raw Materials Farm to Gate.

Offsetting and insetting – what’s the difference?

In the sustainability vocabulary, there are many terms which are often confusing or simply overlooked. This is a common difference in mitigation initiatives.

Offsetting is the process of compensating a business process’ carbon emissions through forest conservation projects outside of the value chain, with the goal of sequestering (removing) similar amounts of carbon from the atmosphere than those that have been emitted in the first place. It is important to note that sequestration removes carbon dioxide from the atmosphere (existing and emitted) but does not directly reduce the emissions of a business process.

Insetting, on the other hand, compensates a business’ carbon emissions with forest conservation and afforestation projects inside the business’ value chain, thus removing carbon from within the value chain. Being able to act directly on the value chain through insetting projects can help suppliers to adapt better to climate change and enables more hands-on management and monitoring.

At Paulig, we follow a reduction-first approach, where we try to avoid emissions in the first place, in line with our science-based targets. However, as there is already too much carbon dioxide in the atmosphere it is important to remove existing and unavoidable new emissions. We are studying options to increase the insetting activities as we believe they bring additional value to carbon removal actions.

mers supplying wheat flour to Paulig’s Santa Maria tortillas are produced under more sustainable cultivation methods.

Lantmännen’s programme Farming of the Future includes specific measures to reduce climate impact from cultivation and boost biodiversity, carried out by contracted farmers on their own farms.

Within the partnership with Lantmännen, the 17,000 tons of wheat flour supplied to Paulig, which will cover the annual baking of 400 million Santa Maria tortillas, will hold up to 30% less GHG emissions per unit of volume. This partnership brings about a remarkable reduction on our tortillas value chain climate impact and we are aiming at achieving similar collaborations and the promotion of more sustainable farming practices with other suppliers, too.

Climate study on coffee production

During 2021, Paulig conducted a baseline study with our strategic partners with the objective of identifying the most effective emis-

sion reduction initiatives, their reduction potential, and the design of a monitoring model in coffee production. The study was conducted in a variety of origins, including different farm archetypes, and revealed the main points of action to work on. Given that agriculture production holds the biggest share of emissions in the coffee value chain (40–80%), the practices targeted the coffee growing process, including nutrient management to optimise fertiliser usage, waste management, cover crops, shade trees and regenerative agriculture for small farms.


The baseline study will help Paulig continue the work together with our suppliers and develop projects in the value chain origin, ultimately contributing to our value chain target of 50% reduction by 2030 from a 2018 baseline. At Paulig, we believe that the only way of scaling up interventions is by working together with suppliers and farmers. Long-term strategic partnerships are key to accurately monitor climate impact as well as achieving eventual reductions.

CASE

Joint efforts for carbon sequestration

In February 2021, we joined the Svensk Kolinlagring, a Swedish initiative that gathers together scientists, farmers, food companies and other key actors around the goal of creating sufficient incentives for increased carbon sequestration of Swedish agricultural lands. The purpose of the pilot for 2021–2022 was to continue developing the knowledge regarding carbon sequestration, measurement methods, verification as well as practical application at the pilot farms.

Through the program, we worked on identifying some of the opportunities and barriers of regenerative agriculture. In 2022, the work continues on developing the scientific, cultural and legislative knowledge necessary to successfully implement regenerative agriculture throughout our value chain.



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Supporting adaptation to climate change in coffee regions

Climate change is the biggest threat to the availability of coffee. High-quality Arabica coffee may become a luxury product that only a select few can afford. More importantly, climate change affects the livelihood and income of 25 million coffee farmers.

Paulig is a founding member of the Coffee & Climate initiative, a public-private partnership that aims at equipping coffee farmers with the necessary tools and skills to successfully adapt to climate change and to create a viable, climate-smart future for coffee families. Through the initiative, we support building up a regional approach with increased climate resilience of landscapes, production systems and rural livelihoods. The focus countries are Brazil, Indonesia,

Uganda, Ethiopia, Tanzania, Honduras and Guatemala.

The initiative has already reached 92,000 households, equipping smallholder coffee communities with the knowledge and tools on how to increase their adaptive capacity and resilience in the face of the effects of climate change.

In the current phase of the initiative, we empower youth to become climate leaders within their communities. We aim to equip them with the skills and network to take on this changemaker role through trainings on leadership and life skills, knowledge of coffee & climate approach, promotion of climate entrepreneurship and establishment of youth committees in farmer organisations.

The collaborative approach with farmers is nothing new to Paulig, we have been systematically collaborating in project and international programmes such as the Coffee & Climate initiative which allows farmers to adapt and prepare to the food system challenges brought by climate change.

During 2022 and aiming at taking this issue even further within our value chain, a similar baseline study will be conducted with our wheat farmers and suppliers.

Collaboration to cut logistics emissions

As a part of our value chain emission reduction target, we are committed to reducing our logistics emissions by 25% by 2025. In 2021 we completed the logistics emission calculations on a more detailed level reinforcing the baseline for year 2018. The detailed logistics baseline enables us to develop our calculations, to become more accurate and most importantly follow up the progress of lowering our logistics emissions. We are planning to implement these changes to our Paulig level Scope 3 GHG emissions calculations in the upcoming years.

We acknowledge that we are on a journey that we cannot tackle alone. The best ways to make the greatest emission reductions are by network optimisation as well as through collaboration with our suppliers, service providers and customers.

In Sweden, together with our logistics partner, we have taken the first biogas truck into use and, in practice all our internal transportation flows are now using either hydrogenated vegetable oil (HVO) or biogas as the primary source of energy. This supports

Long-term partnerships
are key to accurately monitor
climate impact and achieve
emission reductions



our commitment to the Transport Initiative 2025, with the target of using only fossil-free transport in Sweden by 2025.

Within Finland and the Baltics region, together with Transval and Neste we switched all terminal tractors transporting the green coffee within the Vuosaari port in Helsinki to use renewable diesel. Moreover, together with Neste and DSV we made it possible for 87% of our coffee deliveries from Finland to Baltics to run on renewable diesel.

In Belgium, we finalised the Lean and Green program for the logistics sector, with the target of reducing CO2 emissions by 20% from the 2016 baseline by the end of 2021. Today, we are proud to say that we achieved a reduction of 22% on relative emissions.

In 2022, we will start implementing a Paulig group wide transportation management solution that will further enable route and load optimisations to increase the filling rate of trucks to avoid both unnecessary loads as well as empty running.

Reducing own emissions by 80%

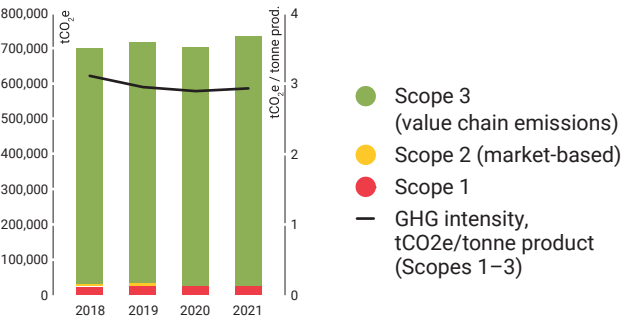
As part of our science-based targets, we aim at reducing our GHG emissions on own operations by 80% by 2030 from a 2018 baseline*. Given that we have ten sites in five different countries, it is

Switching logistic fuels to renewable

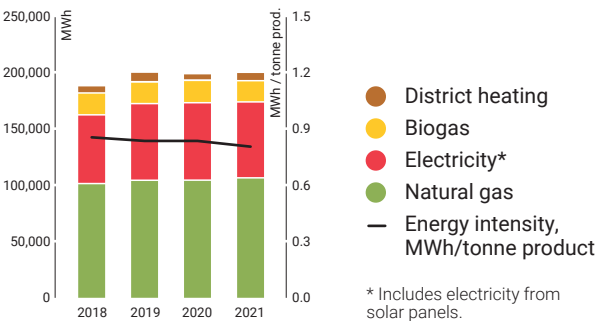
More than 500 truckloads of Paulig coffee are delivered from Helsinki to the Baltic countries annually. Switching the logistic fuels to Neste MY Renewable Diesel will reduce the carbon footprint of Paulig's deliveries by up to 90% compared to fossil diesel use. This translates into 84,000 kilos of saved well-to-wheel lifecycle emissions annually.

In this collaboration, which started in October 2021, the amount of renewable diesel currently covers up to 87% of all of Paulig's coffee deliveries from Finland to the Baltics. DSV and Paulig have partnered in logistics services for decades now, and this new initiative, together with Neste, takes the collaboration to the next level. Through partnering, we can take concrete actions towards a carbon neutral future.

GHG emissions and intensity



Total energy consumption by source and intensity



In our own operations,
we reduce our
carbon footprint
and compensate the
unavoidable emissions

important to work closely with the factories and local stakeholders in the energy policy landscape to achieve such changes.

At Paulig we follow a reduce and compensate approach, where we reduce emissions from own operations by switching to renewable energy sources and compensate unavoidable emissions through investments in afforestation and forest conservation projects in our value chain origins, such as in Colombia, Indonesia, Uganda and Peru (for a full list of the current projects, [please see page 63](#)).

In 2021, we reached the CarbonNeutral® certification for the fifth of our ten sites, followed by the certification of our site at

Milton Keynes, UK in the beginning of 2022 where emissions were reduced by switching to green gas and unavoidable emissions compensated. Moreover, our new Tex Mex production facility in Roeselare, Belgium will be carbon neutral certified from the beginning, bringing us closer to our target of certifying all our sites carbon neutral by 2023. At the Roeselare site, a direct connection between energy companies' windmill and our energy grid was established ensuring 100% of the windmill energy for electricity is consumed by Paulig.

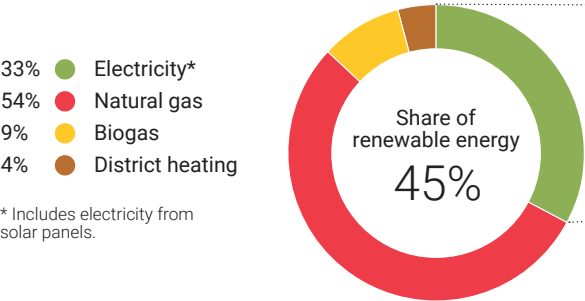
Now, in 2022, 100% of our sites use renewable electricity, making indirect (Scope 2) emissions almost negligible in our production processes. Our main source of emissions from our own operations (Scope 1) comes from the use of natural gas. Many of our sites are using green gas, such as biogas, in their production processes. However, there is still work to be done in procuring green gas in those countries where availability is limited.

Our natural gas consumption increased compared to 2020, notably due to the growth in Tex Mex baking and frying processes. Electricity related emissions increased due to a spike in electricity consumption in the only non-renewable electricity site, Tver in Russia.

Alongside switching to renewable energy, also energy efficien-

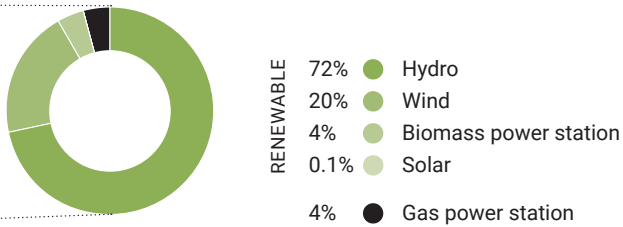


Energy consumption by source 2021



* Includes electricity from solar panels.

Electricity by source 2021



cy is vital for us, and we are constantly working on it. For instance, we have investigated the capturing of production heat of our frying lines for other companies to utilise. At our coffee roastery in Helsinki, Finland we continued with the next phase of energy recovery by installing heat exchangers on the air compressor cooling systems and using it for heating of the offices. This ensured another reduction of approximately 30% of district heating.

In our factory in Milton Keynes (UK), we installed a new state of the art production line that produces 56% more product using similar energy levels as the existing lines, upgraded case packers that use compressed air more efficiently, and installed compressed air surveys to identify leaks and other inefficiencies. These have resulted in the factory to run on one compressed air generator instead of three.

In conclusion, huge steps were completed in 2021, where we worked in increasing the share of renewable energy, paving the way to making green gas in our site at Milton Keynes, UK a reality. Thus far, a reduction of 18% in our own absolute emissions has been achieved compared to the baseline in 2018.

It was encouraging to see that whilst the production volumes at Paulig sites grew, where we saw a slight increase in absolute energy use compared to 2020, the energy intensity (MWh/tonne produced) was reduced by 3%.

* Biogenic emissions, which are not included in Scopes 1–3, accounted for 3,779 tCO2e in 2021. Biogenic emissions are those related to carbon stored in biomass (wood, plants, biofuels etc.) that was originally removed from the atmosphere by photosynthesis and in natural conditions it would return to the atmosphere due to degradation. In our own operations, these emissions are linked to the use of biogas for our production processes.

Transparent climate disclosing

Paulig is committed to environmental transparency, and disclosed the emission data and targets for CPD. As one of the most valued environmental responsibility evaluations in the market, CDP requires companies disclose their climate, forest and water actions and targets in a transparent manner.



CASE

Pilot carbon footprint calculation of Santa Maria tortilla

In 2021, we piloted the product-level carbon footprint of our very own Santa Maria Tortilla Original. The study showed the carbon footprint of the tortillas is 1kgCO2e/kg product, where agriculture accounted for a major share.

While there are still challenges in the comparability of the carbon footprint calculations of different products, we think it's important to actively drive development towards harmonised calculation methodologies. This is why we are continuously developing our product-level carbon footprint capabilities.



Circularity

Durable packaging protects the product, prevents food waste and can also offer valuable raw material for other goods. Even though packaging usually only covers a few percent of a product's environmental footprint, it plays an essential role in protecting the product and its taste throughout the production chain and ensures that the product remains fresh all the way from transportation and stores to consumers' kitchens.

Without compromising on the fundamental function of packaging, we are constantly striving to make our packaging as resource efficient as possible. In addition, we are committed to the global challenge of reducing food loss by 50% by 2030.

Recyclability of packages in focus

While 85% of Paulig's consumer packages are recyclable, all of our retail and transport packages already are recyclable. To meet

our ambition of having all our packages recyclable and made from recycled or renewable materials by 2030, our first focus is that all our packages are recyclable by 2025.

Currently, we are focusing our efforts on the packaging of greatest volumes, i.e., tortilla and coffee packaging. Together with our packaging suppliers, we have developed and tested several different structures keeping in mind that the packaging still has to preserve the quality of the product and does not increase food waste. In addition, in December 2021 we made the decision to invest in new packaging machines which enables us to develop recyclable coffee packages.

As the term recyclability is still not officially defined within EU nor globally, we need to have several different solutions in the reserve, depending on which materials can be recycled efficiently into new products in the future. To guide our own work,

CASE

Joint study on food loss in the value chain

In cooperation with the University of Helsinki's very own Helsinki Centre of Sustainability Science, Paulig conducted a theoretical study on food loss potential on its value chain. The study helped us to understand the main reasons behind the food loss phenomenon in the production of many of our raw materials such as coffee, wheat and spices.

Regarding coffee, it was found that most of the food loss comes from the loss of quality during production due to climatic events (rain, cold) and fermentation due to improper storage. Between 10 to 30% of coffee grains fall on the ground during harvest due to rain, affecting not only the quality of the grain but the efficiency of the process.

According to the study, food loss can be minimised, and unavoidable waste revalorised by educating and properly enabling farmers to improve their critical facilities, i.e., storage and post-harvest.





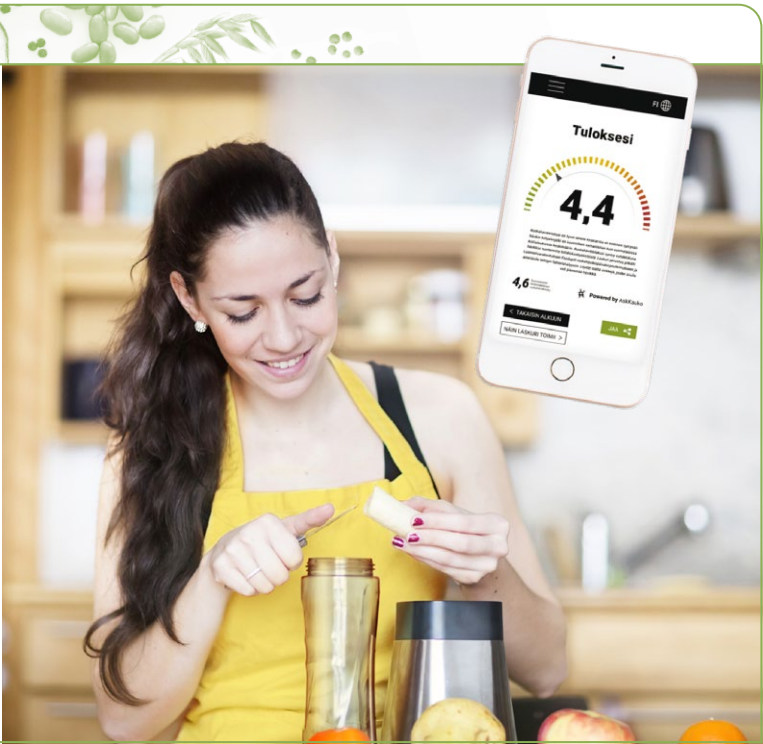
CASE

Food waste calculator

Food loss is generated at all stages of the food value chain, and households' share of the food waste is significant – at least one third. Paulig's aim is to halve the food loss in its value chain, and it invited households to join the effort through a food waste calculator. The free food waste calculator was launched by Paulig and the Natural Resources Institute Finland (LUKE) in early 2021.

Finnish households generate an estimated 25kg of food waste per person each year. We noticed many consumers want to make sustainable choices and understand the impact of food waste. As many as over 55,000 persons have already utilised the calculator to get carbon footprint and monetary value of their food waste.

Find out your waste figure easily at lessfood-waste.fi



we created internal rules for recyclability based on CEFLEX (Circular Economy for Flexible Packaging initiative) guidelines.

Packaging development is a learning path

Developing and creating sustainable packaging is not always a straightforward route, but rather a learning path. Analysing and understanding the total environmental impacts of different materials – and their share compared to the product – is tricky.

When developing recyclable packaging, our guiding principle is that Paulig never compromises on the product's quality and food safety. It is a challenge to maintain all the functions of a package, such as puncture resistance, oxygen, light and moisture barrier and tight sealing with recyclable monomaterials.

Despite the challenges, Paulig's packaging development has progressed greatly in recent years. In particular, we have suc-

ceeded in cutting the carbon footprint of packaging by increasing the share of renewable raw materials, such as paper and plant-based materials, in packaging. Earlier, we launched e.g., a test batch of coffee packages using tall oil that is a residue of pulp production and an alternative to fossil-based raw materials. Unfortunately, the availability of renewable raw materials is scarce, thus we have not been able to implement these raw materials on a larger scale.

The recycling processes, as well as attitudes towards taking the effort to sort waste, varies greatly in different markets. We strive to make it easy to sort empty packages and we give advice on packaging text to consumers on how to sort them. Unified requirements and recycling practices on the EU level would help in implementing circularity and recyclable packaging develop-

In addition to varying consumer and customer expectations, the regulatory landscape adds to the complexity. We closely monitor regulatory developments and participate in discussions as we want to do our part in reaching better solutions. In Sweden, we have committed to the Plastic Initiative, initiated by the Swedish trade association DLF, where the goal is to ensure that plastic consumer packaging is recyclable by 2025.

Halving food loss by 2030

The concept of circular economy, such as by-products streams valorisation and waste minimisation are very prevalent at Paulig. We have set the target to reduce food loss in our value chain by 50%.

In our operations, we follow the reduction first principle, then we recycle and furthermore constantly look at new solutions to use food loss as raw materials for new products.

In our own operations, approximately 75% of our total generated waste is food-related, mainly non-marketable and by-products deriving from our production, and most of it is recycled as animal feed, composted or used for biogas production. For example, nearly all food loss from tortilla production is used as an-

imal feed, while coffee-related food loss is used for biogas production or otherwise recycled. At our tortilla factories in Belgium and UK, we have reduced food loss by utilising a share of the tortilla dough for re-grinding.

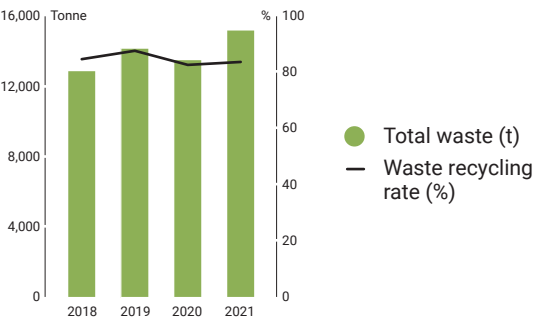
We have set the target to have 100% recycling rate for our own operations waste by 2030, and laid a site-specific roadmap addressing the waste generated and its proper sorting and recycling. In 2021, we achieved an average recycling rate of 83%.

The amount of waste in own operations increased in 2021 mainly due to a considerable growth in production volumes. However, the waste generation ratio (tonne waste/tonne produced) remained the same as in prior years.

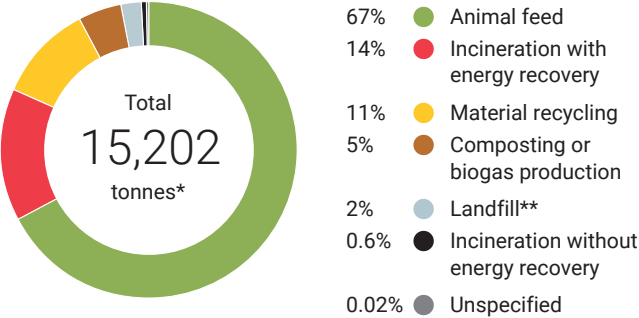
Food loss reductions are supported through weekly meetings in production focusing on production line start-ups, technical line stops, as well as finetuning lines and machine settings. Ensuring standardisation of silo change and stacker recipes further supported the reduction. Furthermore, we enhance the recycling of packaging and other non-food waste from our facilities, for example, through the optimisation of transportation and packaging case size.

Despite the challenges, our packaging development has progressed greatly in recent years

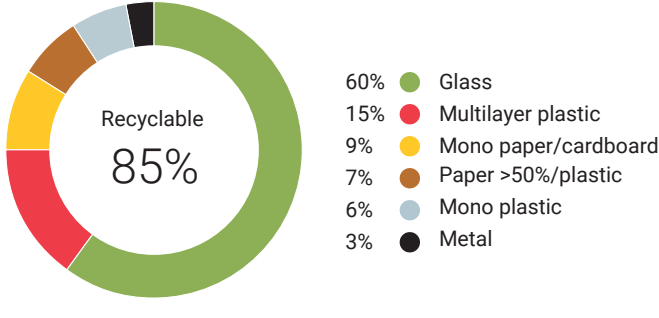
Total waste and recycling rate



Total waste by disposal method



Packaging material usage and recyclability 2021



* Not including volumes sold as II-quality or donated for human use.
 ** Cleaning salt sent to landfill in our mixing factory in Sweden due to change in service provider in 2020.

Key figures

Production volume (t)

	2018	2019	2020	2021	CHANGE 2018–2021
Paulig total	224,935	243,864	242,846	252,159	12%

Energy consumption by source (MWh)

	2018	2019	2020	2021	CHANGE 2018–2021
Natural gas	103,260	106,156	105,936	108,374	5%
Electricity*	61,124	68,234	68,956	67,108	10%
Bio gas	19,355	19,416	20,012	18,985	-2%
District heating	6,447	8,329	5,938	7,535	17%
Group total	190,185	202,135	200,842	202,002	6%
Energy intensity MWh/tonne product	0.85	0.83	0.83	0.8	-5%
Share of renewable energy	30%	29%	47%	45%	50%

* Includes electricity from solar panels. Starting from 2022, purchased and produced electricity will be separately reported.

Electricity by source 2021 (MWh)

	MWh	%
Hydro	46,655	70%
Wind	13,869	20%
Solar	66	0%
Gas power station	2,442	4%
Biomass power station	4,077	6%
Total electricity	67,108	

GHG emissions by scope (tCO2e)

	2018	2019	2020	2021	CHANGE 2018–2021
Scope 1	21,541	23,244	22,351	22,570	5%
Scope 2 (market-based)	6,764	7,734	728	814	-88%
GHG intensity, tCO2e/tonne product (Scope 1 and 2)	0.13	0.13	0.10	0.09	-26%
Total, own operations (Scopes 1–2)	28,305	30,978	23,079	23,384	-18%
Scope 3 (value chain emissions)*	669,614	685,196	675,354	712,118	6%
GHG intensity, tCO2e/tonne product (Scope 3)	2.98	2.81	2.78	2.82	-5%
Paulig total (Scopes 1–3)	697,919	716,174	698,433	735,502	5%
GHG intensity, tCO2e/tonne product (Scopes 1–3)	3.10	2.94	2.88	2.92	-6%

2018–2019 adjusted based on corrections to data.

* More detailed scope 3 category calculation description in separate document [>> Read more](#)

GHG emission share, Scope 3 (tCO2e)

	2018	2019	2020	2021
1. Purchased goods and services	521,444	531,029	533,685	549,718
2. Capital goods	8,506	12,748	10,432	13,221
3. Fuel and energy related activities	5,229	4,381	4,451	4,533
4. Upstream transportation & distribution	16,132	16,445	15,079	14,051
5. Waste generated in operations	193	201	357	395
6. Business travel	3,089	2,593	329	226
7. Employee commuting	1,811	1,923	1,620	1,562
8. Upstream leased assets	Not relevant	Not relevant	Not relevant	Not relevant
9. Downstream transportation & distribution	9,580	12,241	9,844	10,242
10. Processing of sold products	33,400	33,282	31,862	34,709
11. Use of sold products	Not relevant	Not relevant	Not relevant	Not relevant
12. End-of-life treatment of sold products	70,230	70,353	67,695	83,461
13. Downstream leased assets	Not relevant	Not relevant	Not relevant	Not relevant
14. Franchises	Not relevant	Not relevant	Not relevant	Not relevant
15. Investments	Not relevant	Not relevant	Not relevant	Not relevant
Total Scope 3	669,614	685,196	675,354	712,118

Packaging material usage and recyclability 2021

MATERIAL	PACKAGING TOTAL WEIGHT (KG)	RECYCLABLE (KG)	MATERIAL TYPE % FROM TOTAL
Glass	20,844,768	20,844,768	60%
Multilayer plastic	5,256,090	0	15%
Mono paper/cardboard	2,954,118	2,954,118	9%
Paper >50%/plastic	2,610,746	2,610,746	7%
Mono plastic	2,077,203	2,077,203	6%
Metal	918,313	918,313	3%
Total	34,661,239	29,405,149	100%
Recyclable packaging (Vol share [%] of recyclable packages [tn] by weight)		85%	

Total waste by disposal method (t)

	2018	2019	2020	2021
Sold or donated for human use	308	132	206	203
Animal feed	7,740	8,962	8,227	10,227
Incineration with energy recovery	2,116	1,761	2,013	2,193
Material recycling	2,369	2,534	2,151	1,640
Composting or biogas production	578	845	615	700
Landfill*	23	29	369	348
Incineration without energy recovery	4	5	40	91
Unspecified	12	2	51	4
Total waste (t)**	12,841	14,139	13,466	15,202
Waste recycling rate (%)	84%	87%	82%	83%
<i>Total waste (t)/tonne product</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>

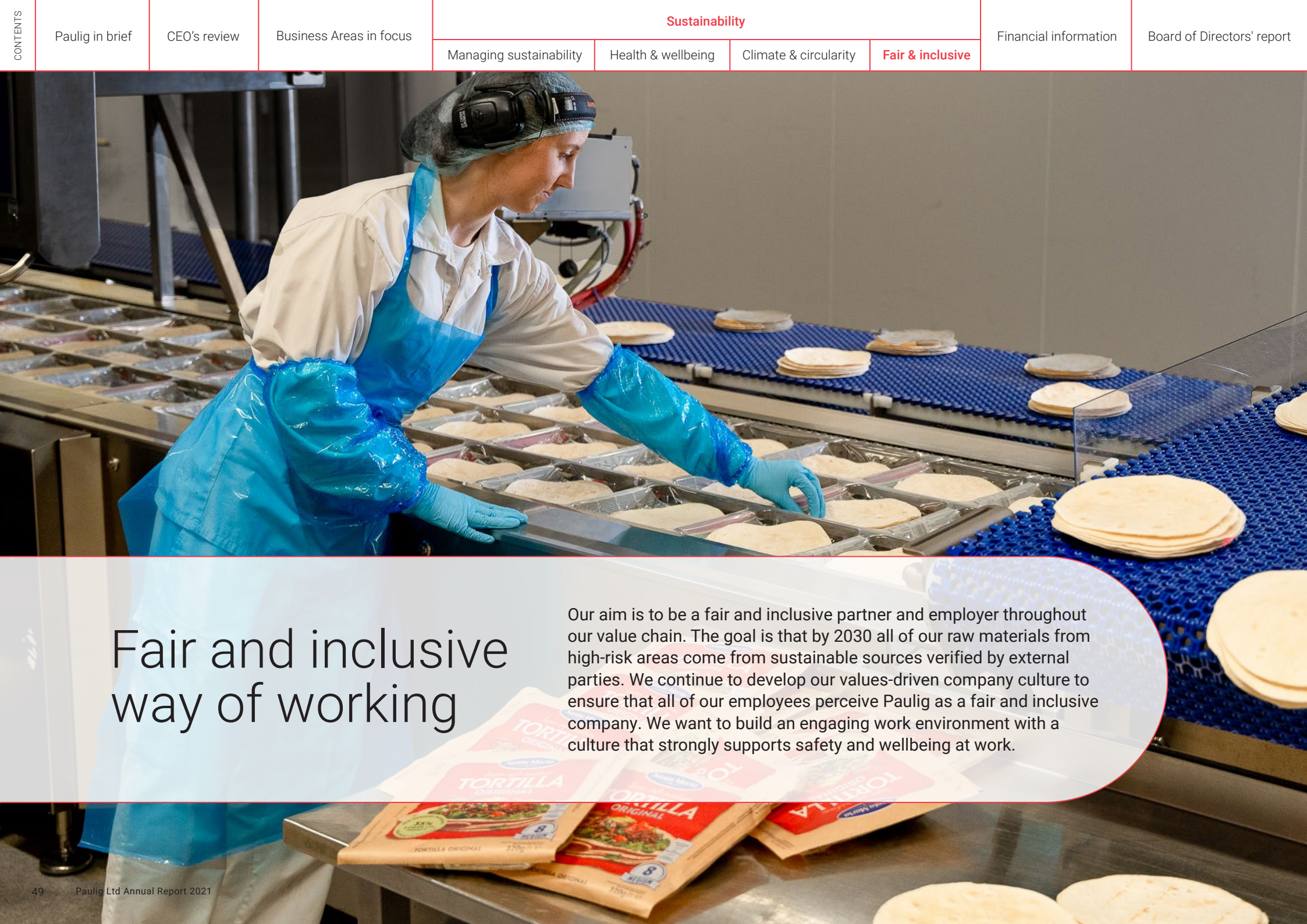
* Cleaning salt sent to landfill in our mixing factory in Sweden due to change in service provider in 2020.
 ** 2018–2019 adjusted not to include food loss sold or donated for human use.

Water consumption (m3)

The consumption of water in our production varies a lot between different production sites, depending on the type of end products. Whereas spice blending processes do not require water, in tortilla and taco production it makes an important ingredient. Water is also used in cleaning our production lines and facilities, and although we strive to reduce the water usage, we will always consider food safety first.

In our Belgium warehouse, rainwater was started to be utilised for toilets in 2020. Due to our personnel gradually returning to the office and our increase in production, our facility water usage generally increased in 2021.

	2018	2019	2020	2021
Group total	122,466	133,245	128,762	138,948
<i>Water consumption (m3)/tonne product</i>	<i>0.54</i>	<i>0.55</i>	<i>0.53</i>	<i>0.55</i>



CONTENTS	Paulig in brief	CEO's review	Business Areas in focus	Sustainability			Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & circularity		
						Fair & inclusive		

Fair and inclusive way of working

Our aim is to be a fair and inclusive partner and employer throughout our value chain. The goal is that by 2030 all of our raw materials from high-risk areas come from sustainable sources verified by external parties. We continue to develop our values-driven company culture to ensure that all of our employees perceive Paulig as a fair and inclusive company. We want to build an engaging work environment with a culture that strongly supports safety and wellbeing at work.



AMBITION 2030

100%

of raw materials from high-risk areas come from sustainable sources verified by external parties

Road to our ambition

We want to be considered as a fair and inclusive partner and employer, wherever we operate. Our ambition is that by 2030 all of our raw materials from high-risk areas come from sustainable sources verified by external parties. To reach the goal, we need to make sure we have suppliers that share our values and have the capability to support our ambitions – and focus on building external verifications. We have now defined a basket of standards and verification accepted by Paulig and a plan for the external verifications.

Approximately 40% of our raw materials come from countries that are classified as high-risk areas by amfori BSCI. We have sourced all of our coffee from sustainable verified sources since 2018, and worked closely with our value chain partners to support

coffee growing communities. Now, we extend our work to cover also other raw material categories. To move on, we have set up a strategic sustainability initiative to develop the external verification of sustainability of our spice value chains that is the second biggest sourcing category from high-risk areas. During 2021, we defined a roadmap for external verifications to the top three spices: black pepper, onion and Indian chilies, and roadmaps for next raw materials are ready to be started in 2022.

On top of the efforts in our value chain, we continue building an engaging work environment and culture that supports inclusivity, safety and wellbeing at work. This is what we pursue as a company, customer and as a corporate citizen.



Our people

At the end of 2021, we employed 2,258* (2,292 in 2020) professionals in 13 European countries. Our employees work both in direct production roles, in warehouses as well as at our offices.

* Total workforce, of which 2,172 are active employees at year end.

Building winning and respectful teams

Our engaged employees are a strength for us, and building winning teams is a key enabler in our strategy. We work systematically to strengthen our values and leadership principles, develop our leadership and way of working as well as to listen carefully to our employees.

During 2021, we continued our leadership development programme and focused on implementing the new performance management process. Moreover, we kicked off a WeLearn Commercial Excellence programme with different training modules. The emphasis on 2021 was on negotiation and sales skills trainings and competition law training. The programme continues in 2022.

Alongside professional skills, we underline the importance of ethical and respectful behaviour in all of our operations. To support that, we launched a Building a safe workplace – Anti-harassment training, which is mandatory for all Pauligians. The training deep dives into topics such as Paulig’s zero-tolerance towards any kind of harassment (e.g., discrimination, bullying, sexual harassment), how to recognise harassment and react appropriately, where to find additional information and report concerns as well as the role and responsibility of each of us in securing a harassment-free workplace.

We can see from our employee engagement survey (OurVoice 2021) results that discrimination, bullying and harassment have been reported in some areas and we continue to work on this topic and make necessary actions to ensure that Paulig is a safe workplace for everyone.

We promote equality through development and career planning so that all genders and different age groups are treated equally in different staff groups. We treat people who have reduced capacity to work equally with other candidates and em-

ployees. The implementation of these commitments is ensured through annual monitoring, discussions in work councils and, importantly, an inclusive recruitment policy. Moreover, we support a healthy balance of work and family life, so that employees can balance and fulfil both their work and family responsibilities.

Listening carefully to Pauligians’ voice

OurVoice is our annual employee engagement survey targeted for all employees. It measures different aspects of engagement as well as strategic, safety, sustainability and leadership-related themes. Based on OurVoice 2020 findings, we initiated both the Feedback and the Anti-harassment trainings during 2021.

To continue the trend, we completed the survey for the second time. The results in 2021 proved the overall engagement in Paulig to remain on a very high level 76 (on a 100-point scale). One of the distinct and delighting findings is that Pauligians stand out as loyal and dedicated employees.

On top of that, on the basis of the internal brand reputation eNPS survey, Pauligians are very likely to recommend working at Paulig to a friend or colleague. However, the eNPS results dropped among our production employees and that is an area to focus on more. Another development area on the company level continues to be the feedback culture. That was also a focus area in our leadership trainings and team discussion.

Alongside professional skills, we underline the importance of ethical and respectful behavior



Leading and giving feedback

We continue to strengthen and develop our leadership capabilities with Leading the Paulig Way programme. In 2021 the focus in the program was on developing our feedback culture. Our vision is that everyone in Paulig feels comfortable in asking, receiving and giving both positive and constructive feedback.

As a concrete measure to enhance the feedback culture, we launched a "Feedback is a Gift" e-learning for office employees. Additionally, our leaders had online trainings to practise feedback and all teams are encouraged to have team discussions on how to improve the feedback culture within own team.

Ongoing performance management, from the day one

In 2021 we launched a new performance management process WeGrow. The process is embedded in our day-to-day leading, with ongoing dialogue to enable feedback and coaching. The WeGrow process is designed to offer a framework and tools to have impactful dialogue on goals, development and performance within our teams. It also places employees in the driver's seat of their own performance and professional development. The new process is designed to ensure that all Pauligians have clear and meaningful goals and expectations, get regular and timely feed-

back on their performance, learn and develop continuously and have the opportunity to discuss careers.

We want to support the performance from day one, when new Pauligians start their work at Paulig. We are bringing our onboarding process for production workers to the next level by improving our training roles and responsibilities, creating clear training documents like standard operating procedures, and focusing on the training skills of our trainers.

New in: hybrid work

At Paulig, we want to utilise the positive learnings from remote work during the last years when COVID-19 affected our way of working. We now grant the opportunity for hybrid work to support our employees' individual working styles and needs whilst balancing the requirements of their teams and business.

Hybrid work aims to find a balance between office and remote work, and to ensure we create the best possible settings for collaboration for everyone. For us, the office continues to be the primary working place, and naturally, the possibility of hybrid work depends also on the role.

CASE

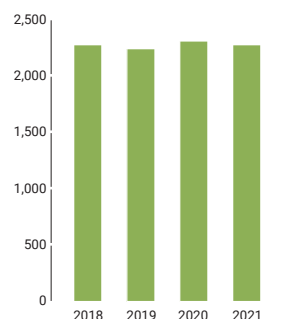
We are proud of You

Human rights and equality are core values for Paulig, and in 2021, the company was proud to be one of the partners of Helsinki Pride, a culture event promoting human rights and equality regardless of sexual orientation or gender identity.

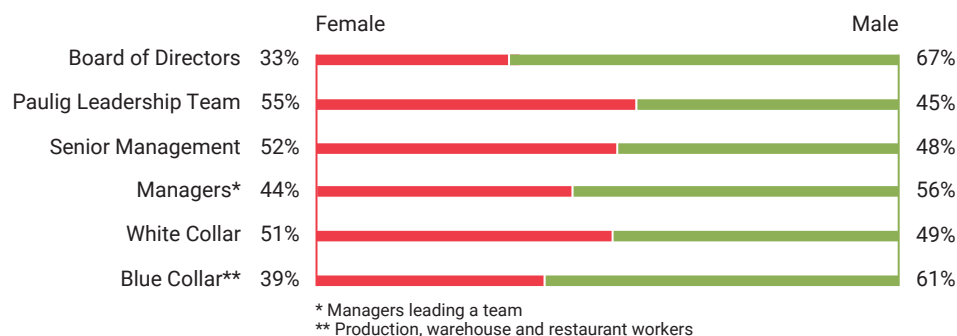
Diversity and inclusion are embedded in Paulig's culture, and the fair and inclusive way of working is one of the three core elements in Paulig's Sustainability Approach 2030.

We believe that we all are at our best when we feel accepted and valued as we are. Pride Week is a perfect opportunity to promote safety for being yourself by generating discussion and being visible celebrating human rights. During the Pride Week, we also organised a virtual coffee meeting to discuss why more equal and inclusive working life and society are highly important for us – not only during Pride Week but every day.

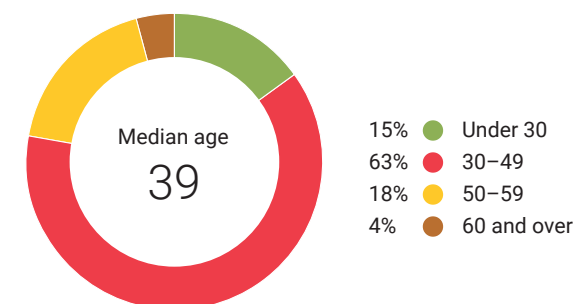
Paulig personnel 2018–2021



Gender by position 2021



Age groups 2021



CASE

Interna(tiona)l job rotation widening perspectives

At Paulig, we want to offer career development opportunities to ensure that our people feel motivated and engaged to work for us. Through internal job rotations our people gain wider perspectives on the business and broaden their competencies, which is a benefit for both employees and employer. During 2021 one of the Pauligians taking on the challenge was **Alexander Kopytov**.

"I was working in Russia as Marketing Director and leading the local marketing team. When a new interesting job opportunity came available in Finland, I saw that as a great professional development opportunity. So, I decided to seize the new role as New Opportunities & Insights Director and relocate to Finland with my family," Alexander describes. In this role he is leading a team of experts searching new consumer trends, changes in the macro trends and growth opportunities to mention a few areas.

"I love challenges, and changing position has helped me to get a different perspective on the things happening in our business, and certainly will help me in the future when planning next career steps," Alexander says.



Healthy and safe workplace

The health and safety of our employees is of great importance to us. We want everyone to come to work and leave for home safely. In order to continuously develop our way of working, we have strengthened our Quality, Environmental, Health & Safety (QEHS) organisation. The organisation will lead and guide our company to a preventative health and safety culture by introducing effective tools to continually increase our employees' safety awareness, assessing and observing risks systematically as well as inspecting and auditing our safe practices. Furthermore, we implemented a legal compliance audit programme through which all of our sites will be audited during 2021–2022 against local legal requirements by an external expert.

YES, We Care!

We want to have a common safety culture to ensure a safe and healthy workplace for all. To support that, we have a safety culture programme YES, We Care, representing nine Safety Rules. In 2021 we continued training our employees in these safety rules and how to practise these in day-to-day activities. The further alignment of the safety practices at our sites, via defining Paulig group standards and the best practice sharing and coaching, will continue during 2022.

During Paulig safety week, 87% of our white-collar employees participated in workshops discussing the question: "what do the Safety Rules mean for me". The workshops led to a very good

We want everyone to come to work and leave for home safely

Our nine safety rules

BEHAVE SAFELY



I always follow safety instructions and set an example of safe behaviours for me and my colleagues



I proactively contribute to an orderly and tidy working environment and follow the external and internal traffic rules



I make sure to understand the safety risks before starting a task

COMMUNICATE SAFELY



I speak up and intervene whenever I see an unsafe activity or behaviour



I report every dangerous situation, near miss and/or accident



I always address safety topics in my meetings

YES, WE CARE!



I always follow the locking procedures and never intervene in a working machine or bridge a machine safety



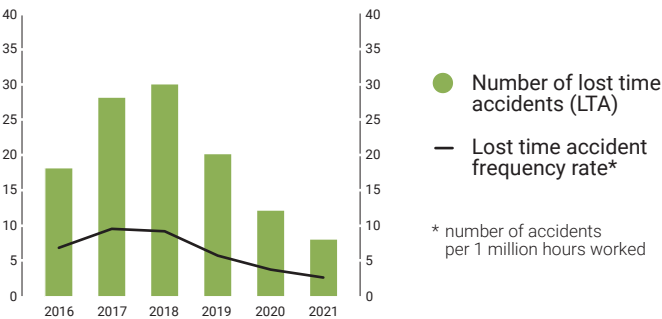
I watch out for danger of falling, sliding and tripping



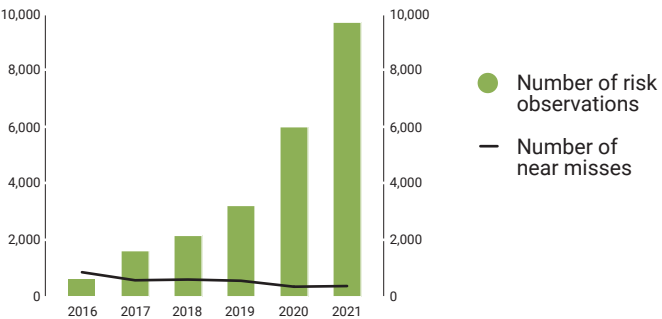
I always wear relevant PPEs and use the right tools and equipment in the intended way

OPERATE SAFELY

Lost time accidents and frequency



Risk observations and near misses



reflection and discussion with employees and teams from the of-fices. After the workshops the teams signed the commitments on the Safety Rules. At all our sites there were meetings with the production teams ensuring our blue-collar workers discuss the safety rules within their teams as well, and defining how these rules can be embedded in daily activities for an increased focus on safety.

Further focus on safe behaviour

Through the increased focus on safety awareness throughout the organisation, we managed to reduce our Lost Time Accident Frequency by 18%. The work also includes performing root cause investigations for all accidents and serious near misses. At the same time, in Estonia we reached over 900 days without any lost time accidents whilst having individual business functions with over 4 years without any lost time accidents.

We continued to put effort on the reporting of observed risks, and saw a further gain of 64% in the number of observations. While we are pleased with the result, we acknowledge that safety must be prioritised also in the future. The focus will continue to be on prevention measures and actions and, during 2022, we will for instance kick off behaviour-based safety walks and implement a Paulig-wide reporting system to support the commitment and safe behaviour.



Towards 100% verified sustainable sources

With more than 590 direct and 5,770 indirect suppliers and value chains stretching to nearly 80 countries, we have the opportunity to make a global impact. Approximately 40% of our raw materials come from countries that are classified as high-risk areas by amfori BSCI.

All of our green coffee is sourced from externally verified sustainable sources, representing almost 80% of the total high-risk area share. The second biggest category for Paulig is spices & herbs, representing 8% of the total high-risk country share. We source both raw materials and contract manufacturing products and partner with various service and logistics providers. Our purchasing spend in 2021 was roughly EUR 660 million, with the share of raw and packaging materials being approximately EUR 370 million.

Our most important countries of origin by spend are Belgium (raw materials, contract manufacturing products and packaging materials), Brazil (green coffee), India (spices), Colombia (green coffee), Sweden (contract manufacturing products and packaging materials) and the Netherlands (raw materials).

In addition to having a great opportunity for positive impact, we also have the responsibility to mitigate the risks in our value

chain – for example, when it comes to human rights and climate change. As many of our greatest impacts occur in our value chain, it is vital that we ensure the mitigating measures and development programmes also take place there.

We cannot stress enough the importance of open dialogue and collaboration with our partners and suppliers and mainstreaming our sustainability activities into our sourcing practices. The development of responsible sourcing requires a holistic approach to identify the actions with the greatest positive impacts throughout the value chain. This will also require competence development and new ways of working inside and outside of Paulig.

Sustainable sourcing of spices

One of our strategic sustainability initiatives is focusing on spice value chain external sustainability verifications. Approximately 65% of our spices and herbs are sourced from countries that have been identified as high-risk areas by amfori BSCI. As a result, the category has an important role in achieving our ambition that all of our raw materials from high-risk areas come from sustainable sources verified by external parties by 2030.

CASE

Sustainability Champions driving the change

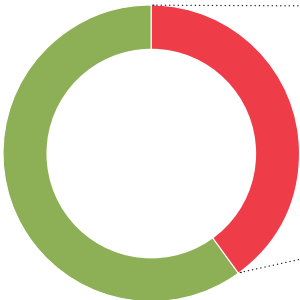
Within our sourcing function, we drive a Sustainability Champions programme to ensure the execution of Paulig Sustainability Approach. The nominated Sustainability Champions coach colleagues in sustainability topics and participate and contribute to strategic sustainability initiatives.

In 2021, our internal experts provided them with training on, for example, climate, human rights issue and sustainable packaging. The Sustainability Champions continue scouting supplier capabilities and make sure we have the right suppliers to reach our sustainability ambitions

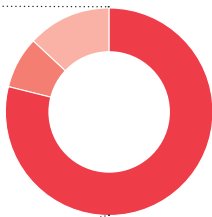
Raw material sourcing volumes 2021

40% High-risk areas*

60% Other countries



Sourcing from high-risk areas*



79% Green coffee

8% Spices and herbs

13% Others

* Classified as high-risk areas by amfori BSCI.

From externally verified sustainable sources

Green coffee
100%

Top 3 spices
32%
(black pepper, onion and Indian chillies)



The diversity of the spice category and the complexity of the spice value chains, typically including many smallholder farmers, makes this challenging and increases the importance of a continuous development approach together with our suppliers.

During 2021, we created detailed, spice-specific roadmaps together with our strategic suppliers and a model for tracking our progress. We have prioritised these efforts based on risks, supplier capabilities in delivering sustainable sourced materials and volume impact, and identified the spices – black pepper, onion and Indian chilies – to start with. The target for these top three spices for 2021 was to have 30% of total sourced volumes from externally verified sustainable sources, 32% was already achieved, and the goal is to have 100% by the end of 2023.

At the same time, we continue to develop mid-term roadmaps for the whole spice category. We collaborate with other industry representatives in the Sustainable Spices Initiative and among the amfori BSCI community, promoting multi-tier audits and mutual learning.

Importance of supplier relationships

We value long-term relationships with our strategic suppliers. We apply a diligent process when assessing our suppliers, evaluating 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 evaluate existing suppliers at regular intervals.

Our sourcing experts play a fundamental role in creating, building and maintaining trustworthy relationships with our suppliers. We work to harmonise our processes for supplier approval, renewed our supplier questionnaires and risk grading criteria across our sourcing categories.

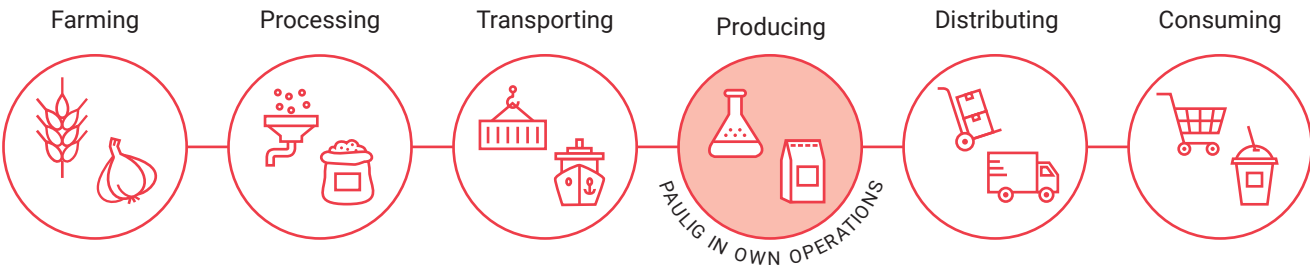
All of Paulig's suppliers have signed the Paulig Code of Conduct for Suppliers or we have accepted a supplier's own code as an equivalent. The supplier code of conduct stipulates the minimum requirements suppliers must abide by within their own operations and supply chain. We support and encourage our suppliers to continuously improve their operations and realise the benefits of responsible practices in their own business.

Our aim is to review and update the Paulig Code of Conduct for Suppliers during 2022 to ensure it efficiently supports our ambitions and meets the expectations set by our stakeholders and aligns with the new amfori BSCI Code of Conduct. We have also mapped supply chains of selected contract manufacturing products to increase transparency and to identify next steps for further developing supply chains verifications.

Verifying sustainability

To reach our ambition that all of our raw materials that come from high-risk areas are externally verified sustainable by 2030, we will need the best practices, tools and joint projects. Our mem-

Our value chain



bership in amfori BSCI has a role in enabling these. Certifications are also one important way to verify sustainable sourcing and, for example, the majority of our coffee is certified. In 2021, we mapped the Paulig approved external verification methods for contract manufacturing products and key raw materials coming from risk areas.

We conduct our own audits parallel with external verifications. With our own audits we pursue in particular building common trust and knowledge with our suppliers. External verifications supplement our due diligence and help us to mitigate risks and identify areas for development. Due to travel restrictions, we have not been able to conduct any of the planned sustainability audits by our own employees during 2020–2021. We assess the supplier-specific risks and opportunities based on supplier questionnaires that are renewed every three years. Our own audits cover more than 50% of direct suppliers in high-risk countries for categories other than coffee. All of our coffee is verified by external parties.

We pay attention to the continuous development of the competence of those working with sustainability, quality and sourcing. Paulig's own employees that conduct supplier sustainability audits complete an SA8000 auditor training, and our sourcing and sustainability specialists receive capacity building on amfori's working methods and tools.

We have both a great opportunity for positive impact and the responsibility to mitigate risks in our value chain



Supporting communities

As part of our ambition of being a fair and inclusive partner for all, we also want to demonstrate those attributes as a corporate citizen in the countries and communities where we operate.

Our community work focuses on building more sustainable value chains for our key raw materials together with our suppliers and other stakeholders: mitigating the impacts of climate change and securing livelihoods for farmers. Furthermore, children and young people have always been at the heart of our initiatives, and we want to contribute to the wellbeing of future generations. The COVID-19 pandemic has only stressed the importance of long-term investment among the communities within our value chain.

Partnerships to make an impact

Partnerships are an essential tool for us in driving progress towards more sustainable supply chains. We have developed the partnership model in our coffee value chain for years and aim to extend the lessons learned and benefits to other value chains too

on a larger scale. Paulig currently has coffee partnership programmes in 12 countries, in co-operation with International Coffee Partners (ICP), coffee&climate initiative, Fairtrade and global green coffee suppliers and export companies.

Through the ICP, we finance and participate in the strategic steering of the initiative that enables tackling some of the most important challenges in coffee sector in all coffee producing regions and countries. Current projects are taking place in Honduras, Brazil, Ethiopia, Uganda, Tanzania and Indonesia.

At the heart of these initiatives is the aim to promote sustainable and profitable coffee growing and coffee farmers capabilities for taking proactive action for their livelihoods and the environment. However, through these programmes, we have also been able to address other needs of the communities. With our supplier Volcafe, a global green coffee supplier, we have activities in Costa Rica and Guatemala, providing training and, during the pandemic, protective gear and hygiene instructions. In Guatemala-

la, we have continued our support for a microfinancing institution to provide financing for the purchase of, for example, fertilisers. This funding has been beneficial for the community in the post-Covid recovery period and financing of the rising costs of production inputs.

In Nicaragua, we collaborate with Mercon, a global green coffee supplier, and Seeds for Progress Foundation to support quality education in the coffee communities in the Nueva Segovia region. We have also extended our support to another school in the region, Buena Vista de Ventilla, where new pre-school facilities were built to provide a safe place for the children of the people working at the coffee farms. The programme has also continued with teacher trainings and the launch of new training materials for learning about coffee farming, quality and environmental aspects, especially in relation to climate change.

We work with our supplier ECOM, a global green coffee supplier, in Colombia to improve the livelihoods of farmers in Santander.

In a collaborative project, we have focused on the building of wastewater treatment systems and developing health and safety management practices.

Together with Coffee Ithaka, a green coffee supplier, we support the Fahem plantation and the surrounding smallholder farmers in Ethiopia by providing training on good agricultural practices, seedlings and farming tools. In addition to coffee, the smallholder farmers grow maize, and to facilitate the processing closer to the farming region, the project has also financed building of two maize mills that are owned, operated and maintained by the local community. In 2021 we also progressed with the renovation of the local school facilities.

Also in Ethiopia, together with Fairtrade and the Ministry of Foreign Affairs of Finland, we participated in a sustainable coffee value chain project called "Dignity for All" during 2018–2021. The project was a follow-up to an earlier pilot, and involved 28 primary cooperatives with 52,000 smallholder members in the Sidama,

Partnerships are an essential tool in progressing towards more sustainable future

Yirgacheffe and Bench Maji regions. In addition to targeting the increase in productivity and improving the quality of coffee, one of the focal themes was to promote inclusive ways of working. The project investigated factors that limit participation in coffee cultivation, production as well as in farmer organisations and aimed at developing approaches, policies and trainings that would overcome those limitations to enable inclusive ways of working.

CASE



Continued children's rights project in India in the tracks of the pandemic

India is the world's largest spice-producing country and an important supplier of Paulig's Santa Maria spices and herbs. At the same time, India is a country stricken by poverty, not least in rural areas. With this in mind, Paulig wants to support spice-growing communities. For the past three years, Paulig and Save the Children have worked together to improve children's rights in India, reaching children and communities in 30 villages in the Guntur district.

The project has included a range of actions, such as improving the quality of study materials, training 117 teachers on child-sensitive pedagogy and children's rights, competence development among parents and other stakeholders at community and village level and strengthening community-based structures.

In addition, Jayanti Herbs & Spices, one of the compa-

nies that supplies Paulig, has provided technical support and training programmes for farmers so that they can incorporate sustainable agriculture practices and increase their yields, in turn allowing them to increase their household incomes.

All in all, the actions have contributed to 1,274 children being enrolled in school; the majority of these children did not previously receive any education or dropped out of school at a very early age.

Now, knowing that the COVID-19 pandemic could jeopardise the successful progress achieved so far, when children were dropping out of school during the lock-down at risk of never returning, it was an easy decision for us together with Save the Children to decide to extend the project in the currently enrolled villages.

Photo: Save the Children/GCCU

Paulig supports
inclusivity, safety
and wellbeing for
everyone in our
value chain

Gender Equity as an enabler for effective climate action

Paulig is a founding member of the coffee&climate initiative, which is a partnership of leading coffee companies supporting smallholder farming families to become resilient to climate change. An inclusive way of working and especially integration of women in this work is essential to reach the full potential.

In many coffee regions, women do up to 90% of the field and harvest work. Meanwhile, women in coffee households are rarely involved in decision making or have equal access to trainings and support services. Often the higher value-generating activities, such as the income generated from coffee are mostly channelled through men. This inequality is being carried from generation to generation and hinders achieving the full potential whether implementing climate-smart practices or advancement in income levels and other livelihood aspects in coffee communities.

Through the initiative, Paulig supports promotion of gender equality in the households and farmer organisations. This contributes to the capabilities in farming communities to develop their farms as successful family businesses. The initiative also advocates women having equal opportunities for taking up leadership and management roles in their local farmer organisations and supports enabling equal access to the opportunities and support provided.

Furthermore, Paulig has also supported the development of a Gender Equity Index by Partnership for Gender Equity. The aim of this tool is to create a globally scalable capacity-building approach ensuring women benefit equally from sustainability investments made in producing countries.

CASE

Support to rebuild the roads
after hurricanes

In November 2020, Central America was hit by back-to-back hurricanes that affected millions of people and caused severe flooding, landslides, and damage.

Guatemala, Honduras and Nicaragua, all important coffee-growing regions to Paulig, were hit the most, and in the worst hurricane areas, the infrastructure was severely damaged. These happened in the middle of coffee harvesting season and critical parts of the roads to transport the coffee to the mills and harbours were washed away.

In response to this, Seeds for Progress Foundation, with the support of Mercon Coffee Group, Paulig's long-term coffee partner, started a fundraising campaign. Paulig participated by donating to the rebuilding of infrastructure with USD \$17,500 which was directed towards Murra, Nueva Segovia in Nicaragua. We have been supporting the coffee community in Nueva Segovia for a long time, e.g. through school renovations, drinking water development efforts as well as coffee cultivation support programme LIFT.

In addition, together with International Coffee Partners we made available an emergency relief fund to support the coffee farming families and enable rebuilding in our project regions affected by the natural disaster.



Lending a hand to the society

As a family-owned company, we want to be an active member of society. Locally, in our operating countries, we support chosen charity partners with a focus on children and young people. Helping disadvantaged children, young people and families is strongly linked to the objectives of our fair and inclusive way of working

Paulig is the main partner of SOS Children's Village in Finland, and committed to long-term co-operation. Paulig will support the development of a new kind of the "Läksyapu" service, helping with homework. According to the SOS Children's Village, young people

dropping out of school has become a serious social problem after the prolonged pandemic. The Läksyapu service is being developed to help young people, especially those in vulnerable situations, on their school path.

Paulig will also continue to support the Apuu chat. It is a chat service where children can seek help if they feel unsafe or threatened. Child welfare professionals and trained on-call workers help children every day and ensure they have access to help. Approximately 100 children seek help through the service every day.

Key figures

Health & Safety

	2016	2017	2018	2019	2020	2021	TARGET 2021
Number of Lost Time Accidents (LTA)	18	28	30	20	12	8	
Lost Time Accident Frequency rate*	6.7	9.4	9.1	5.6	3.6	2.4	2.9
Number of Lost Time Days (LTD)	390	279	225	292	175	60	
Number of near misses	820	537	560	512	300	322	
Number of risk observations	546	1,556	2,091	3,170	5,946	9,660	6,900

* Number of accidents per 1 million hours worked.
 Reported figures cover all Paulig employees. Contractor LTAs are monitored but not reported.

Externally verified sustainable sourcing

	2020	2021	TARGET 2023
Sourced volumes of top 3 spices* from externally verified sustainable sources	Target setting year	32%	100%
Green coffee	100%	100%	100%
Contract manufacturing sites in high-risk countries externally verified for sustainability		75%	

* Black pepper, onion and Indian chillies.

Sourcing spend from high-risk areas* 2021

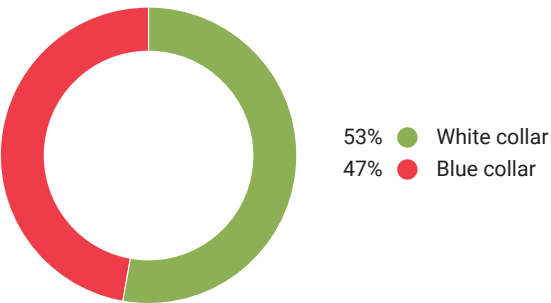
Green coffee	79%
Raw materials	11%
Traded goods	7%
Packaging materials	3%
Others	0.1%

* Classified as high-risk areas by amfori BSCI.

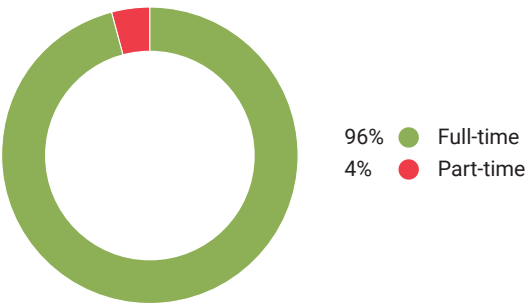
Personnel

Figures as per
 31.12.2021.

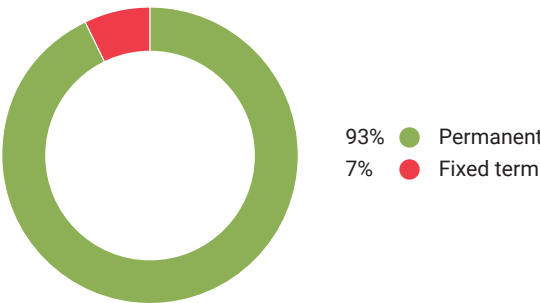
Personnel groups



Employment type



Employment contract



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About the report

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Reporting principles and scope

This Sustainability Report covers the whole Paulig Group (corporate ID 0112563-0) for the year 2021. The contents of the report and the selected indicators are based on the Paulig Sustainability Approach 2030. Indicator-specific boundaries are stated separately, where relevant.

In this report, the Global Reporting Initiative (GRI) standards are applied where possible and relevant. In addition, the Food Processing Sector Specific Disclosures relevant to Paulig’s operations are reported. The report also follows the requirements set by the European Union’s Non-Financial Reporting Directive.

During 2021 and on a continuous basis, we have reviewed and further developed our environmental reporting processes and definitions to improve the quality of the data. This has, however, for some indicators led to decreased comparability between the years, out of which the material ones have been addressed in the report.

In 2018, we started calculating and monitoring our climate impact on our own operations and value chain. This is the main reason our baseline is 2018, the year where we started having accurate information. Due to limited accuracy and resources in previous years, we decided to recalculate our baseline emissions (2018). Given that improved data and techniques are developed over the years, the recalculation process is an ever-changing work in progress. The new figures from 2018 consider changes in emission factors for coffee (based on country of origin) as well as organisational changes (company integrations).

Data collection and reporting

The employee-related data is derived from the statistics collected by human resources. The data presented cover our permanent and temporary employees and are expressed as total number of active employees at year end.

Health and safety as well as environmental data (incl. waste, GHG emissions, energy use and water consumption) are reported for our production sites, warehouses and material office facilities. Emissions from small offices (fewer than 10 employees) in the Baltics 2018–2021 are excluded from the total own operations calculations due to them being relatively insignificant to the total scope 1 and 2 emissions.

For greenhouse gas emissions, the data collection, management and handling, as well as the calculations and methodology (Scopes 1, 2 and 3) follow the Greenhouse Gas Protocol, and the GHG emissions are third party assured.

The following GHG emission categories are scoped as follows:

Scope 1 (Direct emissions)

- Direct emissions comprise of those directly linked to fuel consumption in our factories. For this, we collect the consumed fuel figures (kWh) on a monthly basis – currently we operate with either natural gas or biogas depending on the site – and adjust it to an emission factor (kgCO2e/kWh) based on IPCC guidelines. By multiplying the emission factor (market-based) to the consumption, we obtain the carbon footprint (tCO2e).
- The type of fuel used is verified by the energy provider contracts and certificates. Generally speaking, we have two main sources of fuel: biogas (0.0005kgCO2e/kWh consumed) and natural gas (0.2kgCO2e/kWh consumed). For biogas we only consider non-biogenic emissions as the emission factor basis, therefore the emissions for biogas are almost non-existent.

Scope 2 (Indirect emissions)

- Indirect emissions comprise those from a secondary source, such as the electricity provider, but linked to our own operations. In short, we consider the electricity consumption (kWh) per type of source (wind, solar, hydro etc.) and calculate the carbon footprint through an emission factor. The emission factors (kgCO2e/kWh) are obtained from IPCC sources and reputable standards (UK-DEFRA or others). By multiplying the emission factor to the consumption, we obtain the carbon footprint (tCO2e). The type of electricity sources used are verified by the energy provider contracts and certificates.

Other emissions included in Scope 1 and 2

- Furthermore, we also include smaller categories such as leased cars, CO2 used in packaging and refrigerant leaks (Scope 1) to the own operations carbon footprint, since we consider them directly linked to our production process. Refrigerant

leaks are monitored and calculated on a yearly basis; an emission factor is applied to each type of refrigerant that had leaked that year.

Scope 3 (value chain emissions)

Our scope 3 calculation methods are based on each Greenhouse Gas Protocol category:

- **Category 1 – Purchased goods and services:** These emissions correspond to the purchased goods in our value chain. It mainly covers production and pre-processing. The data are partially collected from suppliers whilst others are assumed based on available standards. Total emissions are calculated as sum of quantities of goods purchased (tn) x emission factor of purchased goods and services (tnCO2e/tn). This is made per category (wheat, coffee, corn, spices, grains, nuts etc.) and summed together.
- **Category 2 – Capital goods:** Average spend-based method, which involves estimating emissions for goods by collecting data on the economic value of goods purchased and multiplying by relevant secondary (e.g., industry average) emission factors (e.g., average emissions per monetary value of goods). This covers emissions for Land & water, Buildings & construction, Machinery & equipment and Other long-term expenses (advance payments etc).
- **Category 3 – Fuel and energy related activities:** These are emissions which relate to transmission and distribution losses from the energy supply. These are not included in our Scope 1 emissions, therefore are included in Scope 3. An emission factor provided by our energy suppliers (both in fuel and electricity) is attributed to the lost energy in T&D (kWh).
- **Category 4 – Upstream transport and distribution:** emissions by inbound logistics. Emission factors based on distance, transportation method, weights of goods transported, pallet specifications etc.
- **Category 5 – Waste generated in operations:** waste data are categorised by type (food or non-food) and processing (recycled, incinerated, composted, digested for biogas production etc.). The data are collected on a monthly basis from our sites.

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- **Category 6 – Business travel:** Emissions corresponding to business travel of our employees, which only includes air travel and hotel nights. Data are collected annually from our business travel management team.
- **Category 7 – Employee commuting:** These emissions cover the employee commuting from and to our offices/factories. This is calculated by multiplying country specific emission factors for commuting by the number of employees present in each country.
- **Category 8 – Upstream leased assets:** Not applicable for our business model.
- **Category 9 – Downstream transport and distribution:** Out-bound logistics emissions related to transporting goods to our customers. Data are collected from our logistics department and our outsourced transportation company, since we do not have our own fleet. This is based on transport distance, method, weight, pallets etc.
- **Category 10 – Processing of sold products:** Emissions corresponding to the further processing of our products such as coffee preparation. This is roughly calculated based only on coffee, estimated based on the coffee LCA (10% of the used EF), and added with an estimate of the wastewater treatment of wasted coffee at end-use (sheet End-of-life coffee).
- **Category 11 – Use of products:** Not covered in our emission calculations. Not relevant for food & beverage since they do not consume fuel or electricity during use, only during preparation.
- **Category 12 – End-of-life treatment of sold products:** Emissions corresponding to food loss and waste. Estimated a percentage of food loss from the total sold coffee and adjusted to the corresponding emission factor. We are working in developing the calculation of other food sources for future reports.
- **Category 13 – Downstream leased assets:** Not applicable for our business model.
- **Category 14 – Franchises:** Not applicable for our business model.
- **Category 15 – Investments:** Not applicable for our business model.

Biogenic emissions are calculated and communicated but not included in Scope 1, 2 or 3 of the emissions. They are kept separate

since we consider mainly the use phase of biogas, furthermore, they do not constitute a major share of the total emissions.

External assurance

The greenhouse gas emissions (Scopes 1–3) have been verified by an independent third-party assurance provider. The assurance statement appears on [page 67](#).

List of projects for own operations GHG emissions compensation

Chocó-Darién Rainforest Conservation REDD+ (Colombia) – Verra VCS and CCBS verified forest conservation project. The project aims to prevent deforestation across 13,000 hectares through a combination of forest protection and sustainable development activities. Working with 2,000 people across 33 communities, the project reduces community dependence on unsustainable timber extraction and unsustainable agricultural practices. Provided by Natural Capital Partners.

Alto Mayo REDD+ (Peru) – Verra VCS and CCBS verified forest conservation project. Located in the Peruvian Amazon, the project aims to conserve the ecologically rich Alto Mayo Protected Forest (AMPF). It has been designated an Alliance for Zero Extinction

site because of its critical importance to the survival of Peru’s endemic fauna and flora. The Peruvian government established the AMPF in 1987, but even with this protection, the park faces intense deforestation pressure from illegal logging, the influx of migrants and unsustainable farming practices. The project helps to conserve the AMPF – an area of approximately 450,000 acres – by providing essential funding for forest management and community programmes. Provided by Natural Capital Partners.

Community Reforestation (Kenya and Uganda) – Verra VCS and CCBS verified reforestation project. The project organises community-based tree-planting initiatives with over 12,000 small groups involving 90,000 farmers in Kenya and Uganda. Under traditional practices, farmers clear trees to increase available agricultural land, which erodes quality by removing nutrients from the soil. Forestry projects such as this combine carbon sequestration with sustainable development, helping to improve community livelihoods through education and training, and create additional sources of income beyond smallholder farming. In addition, carbon finance is paid to farmers for surviving trees. To date, over 15 million trees have been planted, are alive, growing and being monitored because of the project. Provided by Natural Capital Partners.

Memberships of associations

We participated in the work of the following industry organisations and collaboration platforms:

- The Finnish Food and Drink Industries’ Federation (ETL)
- The Swedish Food Federation (Livsmedelsföretagen)
- The Belgian Food and Drink Federation (Fevia)
- The Estonian Food Industry Association
- Federation of Dutch Grocery and Food Industry (FNLI)
- DLF Sweden, Grocery Suppliers Association (Dagligvaruleverantörernas Förbund)
- Swedish Flavour and Spice Association (Arom & Krydd Föreningen)

- amfori BSCI
- Coffee & Climate (ICP initiative)
- European Coffee Federation (ECF)
- European Spice Association (ESA)
- Institute for Scientific Information on Coffee (ISIC)
- International Coffee Partners GMBH (ICP)
- Roundtable for Sustainable palm oil (RSPO)
- Sustainable Spices Initiative (SSI)
- Estonian Responsible Business Forum (Vastutustundliku Ettevõtluse Foorum)
- Finnish Business & Society (FiBS ry)

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Management systems in Paulig

AREA	CERTIFICATION	DESCRIPTION	TORTILLA FACTORY LANDSKRONA, SWEDEN	SPICE & MIXING FACTORY MÖLNDAL, SWEDEN	SPICE FACTORY SAUE, ESTONIA	COFFEE ROASTERY HELSINKI, FINLAND	COFFEE ROASTERY PORVOO, FINLAND	GOLD&GREEN FACTORY JÄRVENPÄÄ, FINLAND	COFFEE ROASTERY TVER, RUSSIA	TORTILLA & CHIPS FACTORIES ROESELARE, BELGIUM	TORTILLA FACTORY MILTON KEYNES, UK	DISTRIBUTION CENTRE KUNGBACKA, SWEDEN
Quality/ Food safety	BRC Food	British Food safety standard								x	x	
	BRC Storage & Distribution	Food safety standard for warehouse										x
	FSSC 22000	Combined ISO 22000 (Quality management systems and food safety)	x	x	x	x		x	x			
	ISO 9001	Quality management systems				x	x		x			
	IFS Producer	German food safety standard								x		
	EU organic	Organic production	x	x	x	x			x	x	x	x
	Vitality leaf	Gluten-free standard in Russia							x			
	Crossgrain UK	Gluten-free standard in UK									x	
	Crossgrain SE	Gluten-free standard in Sweden		x								
Customer standards		Customer food safety & quality standard			x	x			x	x	x	
Environment/ Sustainability	ISO 50001	Energy management system								x		
	ISO 14001	Environmental management system	x	x	x	x	x		x		x	x
	Fairtrade	Sustainable supply chain				x	x		x			
	RSPO	Palm oil certificate								x	x	
	SMETA	Sustainability								x		
	RFA/UTZ	Sustainable supply chain				x			x			
Health & Safety	ISO 45001	Health & Safety management system				x	x		x			

ISO 9001 = Quality Management Standard

FSSC 22000 = Food Safety Management Standard

BRC = Food Safety Standard

IFS = International Featured Standards

ISO 14001 = Environmental Management Standard

ISO 50001 = Energy Management Standard

ISO 45001 = Occupational health and safety

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Independent accountant’s assurance report on Paulig Ltd’s greenhouse gas (GHG) reporting

To the management of Paulig Ltd

Scope

We have undertaken a ‘limited assurance engagement of the accompanying GHG reporting of Paulig for the period from 1.1.2021 to 31.12.2021, in addition to the baseline year for the period from 1.1.2018 to 31.12.2018, comprising greenhouse gas reporting (Scope 1, Scope 2, and Scope 3) in Paulig’s Annual Report 2021 (the “Subject Matter”).

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Paulig

In preparing the Subject Matter, Paulig applied the GHG Protocol standards (Corporate Accounting and Reporting Standard, Scope 2 Guidance, Corporate Value Chain Scope 3 Accounting and Reporting) and the Paulig’s internal reporting guidelines (Criteria). As a result, the subject matter information may not be suitable for another purpose.

Paulig’s responsibilities

Paulig’s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with those Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements on Greenhouse Gas Statements (‘ISAE 3410’) and the terms of reference for this engagement as agreed with Paulig on 18 June 2021. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a re-

port. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance review.

Ernst & Young also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The Greenhouse gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emis-

sions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily from persons responsible for preparing the GHG reporting and related information in Paulig’s Annual Report 2021 and related information, as well as applying analytical and other relevant procedures.

Our procedures included:

- a) Creating an understanding of Paulig’s material GHG reporting topics, the organisation, and its activities,
- b) An assessment of suitability and application of the reporting principles regarding the stakeholders’ needs for information,
- c) Interviews with senior management to understand Paulig’s GHG management,
- d) Interviews with personnel responsible for gathering and consolidation of the GHG information to understand the systems and processes related to gathering and consolidating the information,
- e) Assessing GHG data from internal and external sources and checking the data to reporting information on a sample basis,
- f) Performing recalculation of information and checking the underlying data on sample basis which is the basis of narrative disclosures related to the data,
- g) Virtually visiting the selected site where we assessed reporting practices.

We also performed such other procedures as we considered necessary in the circumstances.

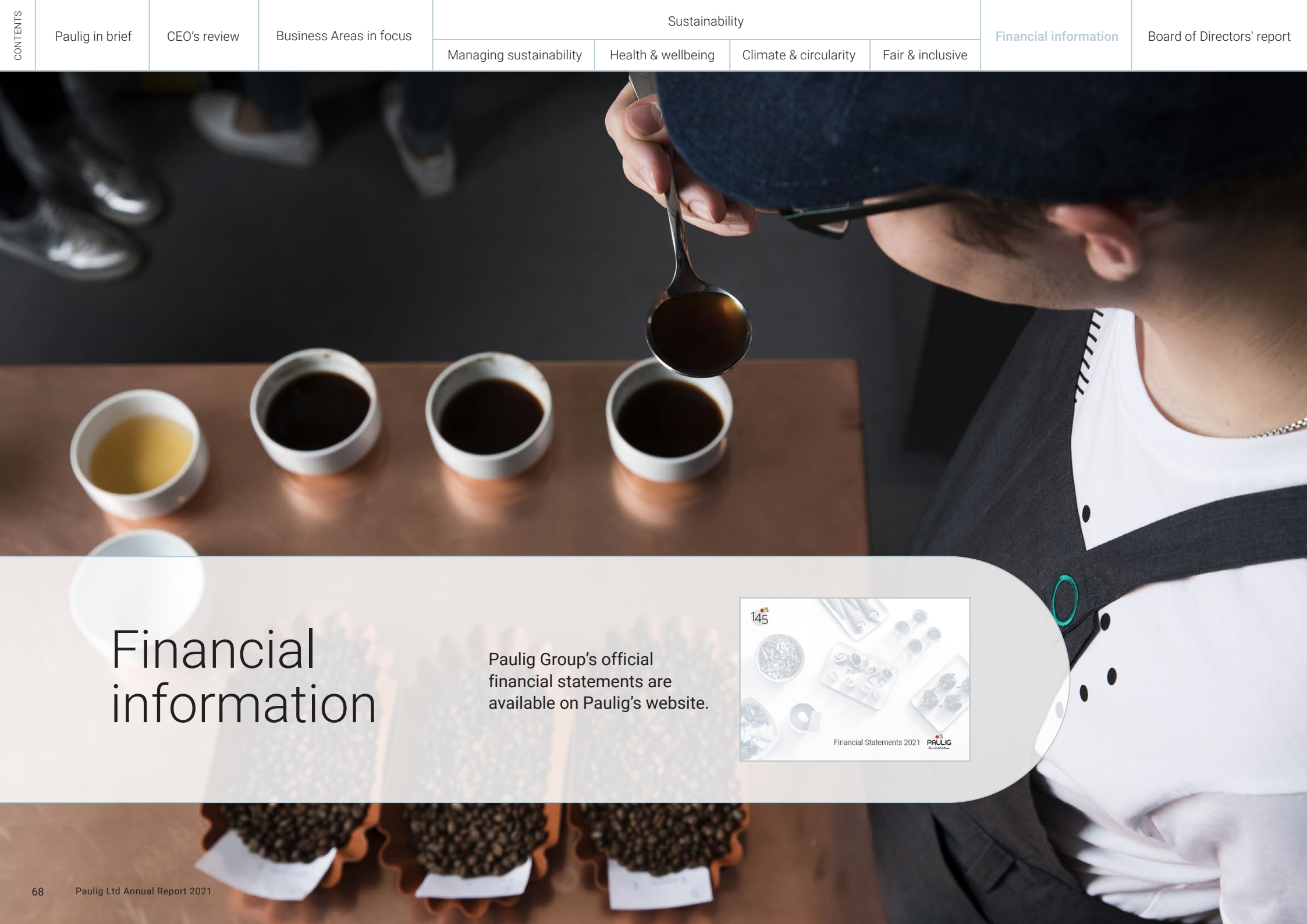
Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the GHG information in the Annual Report 2021 for the period 1.1–31.12.2021, in order for it to be in accordance with the Criteria.

Helsinki, 25 March 2022

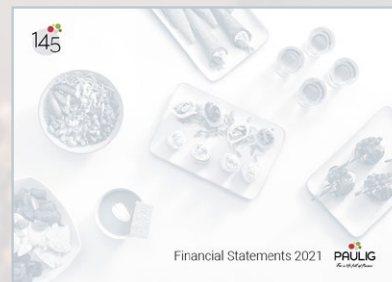
Ernst & Young Oy
Authorised Public Accountant Firm

Terhi Mäkinen
Authorised Public Accountant



Financial information

Paulig Group's official financial statements are available on Paulig's website.



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Corporate governance

Paulig Ltd, the parent company of Paulig Group, is a Finnish family-owned company incorporated under Finnish law. Corporate governance is based on its Articles of Association, the Limited Liability Companies Act, applicable codes and standards, ethical principles and other instructions and policies. Paulig Group also follows applicable parts of the recommendations for listed and family-owned companies.

Annual General Meeting

Paulig Group’s highest decision-making body is the parent company’s Annual General Meeting (AGM). The AGM deals with matters that are covered by legislation and by the articles of association, such as adoption of the financial statements, dividend distribution and the election of Board members and auditor as well as their remuneration.

Board of Directors

Composition and tasks of the Board

According to the Articles of Association of Paulig Ltd, the AGM elects a minimum of four and a maximum of eight Board members. Under the Limited Liability Companies Act, the Board is responsible for the administration of the company and the appropriate organisation of operations. It is also the Board’s responsibility to ensure that the supervision of accounting and asset management has been organised appropriately. The tasks also include determining the Group’s strategy and the annual business plan and deciding on acquisitions and strategic investments. The Board oversees the Group’s financial performance and financial position.

The Board appoints the Managing Director and CEO, and approves the appointment of members of the Group management. The Board decides on the remuneration of the Group management. The Board undertakes regular reviews of its own activities and of its cooperation with the management.

Meetings

In 2021, the Board convened seven times. The Board deals with the financial statements in March, finalises the Group strategy in June and decides on the business plan and financial plans for the following year in December.

Chairman of the Board

The Chairman of the Board is appointed by the AGM. The Chairman’s role is to lead the activities of the Board, convene the Board and prepare the meetings together with the CEO. The Chairman is in active dialogue with the CEO and keeps him/herself informed about events in the company and the operating environment. Together with the CEO, the Chairman ensures that the notice, agenda and any necessary material for a meeting are delivered to the members of the Board as agreed before the meeting.

Board committees

The Board members decide on the appointment of committees and their members. The committees prepare matters for the decision of the Board. Paulig Ltd’s Board has appointed a HR Committee, an Audit Committee and a PINC Investment Committee.

CEO and Leadership Team

Paulig Ltd’s Board appoints the Managing Director, who also serves as the CEO. The Managing Director’s task is to manage the company’s current affairs according to the Board’s instructions

and to ensure that the company’s accounting is managed responsibly and by law.

The Managing Director reports to the Board and keeps the Board informed about the company’s business environment, financial situation and development.

The Group’s Leadership Team consists of the Managing Director, who is also the chairman, SVPs of Business Areas and SVPs of Business Functions. Together with the Group’s Leadership Team, the Managing Director prepares and implements the strategy and steers the business operations. The Leadership Team also coordinates the Group’s various functions and ensures efficient operations at the Group level.

Risk management

The principles for Paulig Group’s enterprise risk management have been determined in the risk management policy approved by Paulig Ltd’s Board. Under these principles, risks are identified, evaluated and handled systematically. The objective is to attain strategic and operating targets and to secure the continuity of the business.

Auditing

The AGM appoints an auditor. The auditor’s task is to audit the corporate accounts, financial statements and administration. The tasks are defined in legislation and in generally accepted auditing practices.

Paulig Group’s ethical principles

The purpose of Paulig Group’s ethical principles is to promote responsible entrepreneurship and sustainable development as well as to support decision-making. Based on strong, shared values, the ethical principles guide the Group’s employees in their cooperation with colleagues, customers, suppliers and other business partners.

Board of Directors' report for 1 January–31 December 2021

In 2021, Paulig Group's revenue was EUR 966.3 million (919.5 in 2020), an increase of 5.1 per cent on the previous year. The Group's operating profit was EUR 95.3 million (88.3), which was 9.9 per cent (9.6) of net sales. Paulig Group employed 2,190 people on average during the year (2,160).

Changes in Group structure during the financial year

The following changes took place in the Group's structure in 2021:

- Paulig Coffee Sweden AB was merged with Santa Maria AB
- Risenta AB was merged with Santa Maria AB
- Euroleasing Ltd was demerged into two newly established companies: Euroleasing Ltd and Nissen Invest Ltd

Revenue

In 2021, Paulig Group's revenue was EUR 966.3 million (919.5), an increase of 5.1 per cent on the previous year. Retail channel sales continued to grow and there was a clear improvement in the out-of-home channel from the worst COVID-19 drop in the previous year. The growth drivers were coffee, Tex Mex and flavouring categories.

Of Paulig Group's total revenue of EUR 966.3 million, 54 per cent came from the Nordic countries and 46 per cent from other countries. Business area Finland & Baltics accounted for 31 per cent of the external revenue, Scandinavia & Central Europe 31 per cent, Customer Brands 30 per cent, East 6 per cent and Other 1 per cent.

REVENUE (MEUR)

	2021	2020	CHANGE
Finland & Baltics	301.8	285.0	5.9%
Scandinavia & Central Europe	303.5	283.2	7.2%
Customer Brands	286.8	286.2	0.2%
East	61.9	54.9	12.8%
Other	12.3	10.2	19.7%
Total	966.3	919.5	5.1%

Result for the financial year

The Group's operating profit was EUR 95.3 million (88.3), and its ratio to net sales was 9.9 per cent (9.6).

The consolidated result for the financial year, EUR 85.3 million (66.7), included EUR 4.7 million profit (8.6) from real estate sales associated with the sale of land areas in Vuosaari. Depreciation and impairment totalled EUR 42.1 million (49.6). The associated company's (Fuchs Group) contribution to the consolidated result was EUR 4.0 million (8.7).

Financial position

Due to the Group's strong cash flow during the financial year, the financial position remained good for the entire financial year. Cash flow was positive during the financial year with net cash flow from operations being EUR 86.2 million (117.3). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year totalled EUR 46.7 million (36.7). The most significant investments were related to the building of the new factory for Tex Mex production in Belgium.

Risks

In its risk management Paulig Group observes the risk management policy adopted by Paulig Ltd's Board of Directors. Risks are systematically identified and assessed based on this policy.

In the management of liability risks the Group follows the insurance policies adopted by the Board of Directors. The insurance coverage against damage related to property and business, such as product liability and interruption of operations, is comprehensive in accordance with these policies.

The Group's main strategic and operative risks remained the same during the financial year as in the previous years. The

KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2021	2020	2019
Revenue, MEUR	966.3	919.5	921.4
Other income, MEUR	9.8	9.8	16.1
Share of results in associated companies, MEUR	4.0	8.7	-1.7
Operating profit, MEUR	95.3	88.3	75.4
Operating profit, % of net sales	9.9	9.6	8.2
Operating profit before depreciation, amortisation and impairment, MEUR	137.5	137.8	137.2
Profit for the financial year, MEUR	85.3	66.7	51.6
Shareholders' equity, MEUR	735.6	691.1	649.2
Return on equity, %	12.0	10.0	8.1
Equity ratio, %	62.4	63.9	64.0
Cash and short-term deposits, MEUR	140.6	83.1	80.6
Interest-bearing liabilities, MEUR	157.8	122.0	118.3
Investments during the financial year, MEUR	46.7	36.7	31.3

principal strategic risks were changes in competition and consumer behaviour in different market areas. The principal operative risk involves raw materials, the availability and quality of which may vary significantly. In addition, speculative trading of raw materials can cause unexpected changes to their prices. In the management of risks associated with acquisition of coffee raw materials, the Group follows the policies adopted by the Board of Directors.

In the management of financial risks the Group follows the treasury policy adopted by the Board of Directors. Availability of sufficient financing for the business in the future has been guaranteed with credit facilities also in the current solvent situation. The treasury policy also covers hedging of currency and interest rate risks. The most significant of these risks is the currency risk associated with the US dollar, as a substantial share of raw materials is paid for in dollars.

Personnel

Paulig Group’s average number of employees increased by 30 persons from the previous year. The majority of the Group’s 2,190 employees on average were employed in Belgium (32 per cent), Sweden (21 per cent) and Finland (20 per cent).

PERSONNEL

	2021	2020	2019
Average number of employees	2,190	2,160	2,115
Employee benefit expenses, MEUR	143.6	137.1	132.4

Innovation and product development

Paulig’s Marketing and Innovations function is responsible for the Group’s innovation and product development activities. Innovation and product development play an important role in the development of the product portfolio and ensuring future growth.

During the financial year, a new innovation model was created for Paulig. Innovation is a key success factor in driving growth and the new One Paulig innovation model enables regaining innovation leadership. The aim is to initiate change in innovation cul-

ture at Paulig and become bolder, faster and more focused in developing new products and services.

Paulig introduced several new products to the market under the Group’s various brands in 2021.

Santa Maria launched a new Tex Mex concept: Next Mex. The range includes tasty spice pastes, a range of salsas, a delicious mayo and a tortilla with just the right size and texture. The Next Mex concept offers variety and brings a restaurant feeling at home with new and more mature flavours. Another important launch for Santa Maria was the carrot and beetroot tortillas, which consist of 30% vegetables and are a great option for a healthier taco dinner.

The Paulig City Coffee series was supported with a new Singapore City Coffee launch in Finland and Rainforest Alliance certified coffee range in Russia. The Presidentti coffee family was extended with a Ruby variant in Finland. Novelties were also presented in the Juhla Mokka coffee family. Paulig launched the original Juhla Mokka coffee and two new flavours, Juhla Mokka Silkkinen (Silky) and Juhla Mokka Samettinen (Velvety), in small packages. Juhla Mokka continued also its famous Mother’s Day and Christmas campaigns. In the Baltic countries, a new master brand communication was launched.

The Paulig Frezza cold drinks product family was extended with a new flavour, Crazy Banana. In addition to Santa Maria, new carrot and beetroot tortillas were also launched under the Poco Loco brand. In the flavouring category, Santa Maria launched a saffron paste for the Swedish market, making it easier for consumers to bake super-tasty, fluffy saffron buns at home. A gingerbread spice mix with a taste of orange was also launched – just in time for the Christmas season! The Risenta brand continued renovating the assortment for better profitability and also launched two new items in the sesame cookie range (peanut and almond). The Gold&Green Deli Oats family was complemented by mushroom truffle-flavoured Deli Oats.

Value engineering and production process optimisation were implemented in all product segments. Content and concept product development focused also on creating new, sustainable packages.

During the financial year, Paulig’s venture arm PINC made investments in two start-up companies, Carrot Kitchen and

Melt&Marble. Carrot Kitchen is a pedagogical and inspiring cooking app for kids. Melt&Marble has developed yeast as a production platform for tasty and sustainable fats for plant-based foods.

Sustainability

Paulig Group aims to be a sustainable frontrunner within the food & beverage industry. Sustainability is embedded in Paulig’s culture and reflected in its values and ethical principles. Sustainability is also integrated into the business strategy and operations.

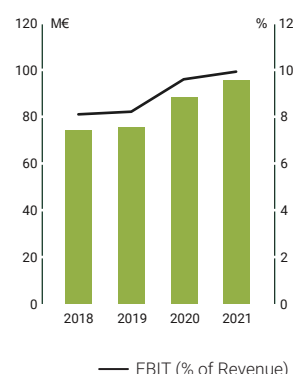
Paulig’s sustainability work is guided by Paulig Sustainability Approach 2030, approved by Paulig Ltd’s Board of Directors in February 2020. The approach is based on three prioritised United Nations Sustainable Development Goals and builds on the United Nations Guiding Principles on Business and Human Rights. Paulig’s three focus areas with long term ambitions are: health and wellbeing, climate action and circularity, and fair and inclusive way of working. Paulig’s impacts and stakeholder expectations are reflected in the approach.

In 2021, a new governance model for sustainability was approved, formalising the roles and responsibilities for steering actions and reporting practices, hence furthering the implementation of strategic sustainability initiatives as well as ensuring accountability. To ensure that the sustainability programme is up-to-date and that the focus is on the right topics, the approach needs to be reviewed regularly. Paulig’s 2021 developed Strategic Sustainability Development Process determines how to monitor and consider the expectations of different stakeholder Groups and the impacts of global trends and external factors on the sustainability programme. The strategic sustainability initiatives for 2022–2024 were updated, integrated into the business strategy and approved by the Board of Directors.

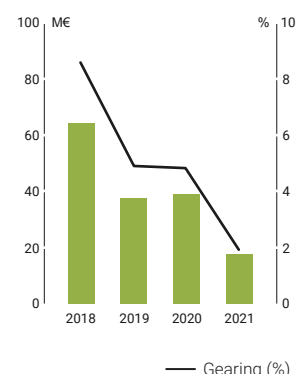
Paulig made good progress towards its sustainability ambitions in 2021 and the implementation level of the strategic sustainability initiatives was as planned.

Climate change is the most significant long term sustainability risk for Paulig and Paulig’s climate targets are aligned with a 1.5°C pathway and approved by the Science Based Target initiative. Paulig’s biggest impacts on climate are within the value chain. Climate related risks and impacts are mitigated through general risk management and the strategic sustainability initia-

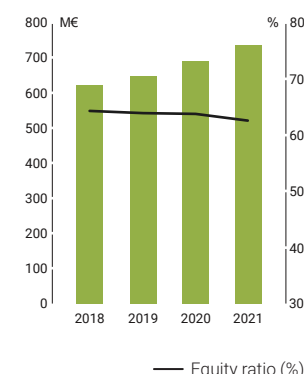
EBIT



Net debt



Shareholders' equity



tives. By the end of the year 2021, five out of ten Paulig factories were certified as carbon neutral and the collaboration with Lantmännen was initiated to implement climate-smart plant nutrition and precision farming to reduce the carbon emissions of Santa Maria tortilla's raw material, wheat. An investigation of coffee value chain emission reduction possibilities for the future was also conducted.

Paulig continuously develops its processes and ways of working to ensure respect for human rights both in its own operations and throughout the value chain. In 2021 Paulig continued to publicly call for EU-wide mandatory human rights and environmental due diligence legislation and to implement the roadmap for top spices external verifications.

More information on Paulig's sustainability work is published in the Sustainability section of the Annual Report.

Management and auditors

At the end of the financial year, Paulig Ltd's Board of Directors had seven members: Jukka Moisio (Chairman), Mathias Bergman, Christian Köhler, Eduard Paulig, Heikki Takala, Petra Teräsaho and Christina Wergens.

Heikki Takala was elected as a new Board member in April 2021.

Peter Rikberg continued as the observer of the Board.

The Group's CEO is Rolf Ladau.

The Group's auditor has been Ernst & Young Oy, with Authorised Public Accountant Terhi Mäkinen as the principal auditor.

Shares

The company's stock is divided into A shares (487,765 shares) and B shares (15,000 shares), a total of 502,765 shares. There were no changes in this during the financial year.

The Articles of Association contain restrictions specific to share series that concern the right to dividends and company assets, as well as a series-specific redemption clause.

Proposal by the Board of Directors for distribution of profit

The consolidated profit for the financial year was EUR 85,308,871.95. The parent company's distributable shareholders' equity was EUR 359,634,293.50 according to the financial statements on 31 December 2021. The Board of Directors proposes that a dividend of EUR 54.00 per share be paid, amounting to EUR 27,149,310.00 in total and that in addition the shareholders' meeting authorises the Board of Directors to decide by the end of 2022 on the payment of an extra dividend of no more than EUR 17.40 per share, amounting to EUR 8,748,111.00. The parent company's distributable shareholders' equity would then be EUR 323,736,872.50.

There have been no fundamental changes in the company's financial position since the end of the financial year. Liquidity is at

a good level, and the proposed disposal of profits will not, in the Board's view, endanger the company's solvency.

Outlook for the current financial year

Revenue is expected to increase in 2022 due to price increases related to the increases in raw material prices.

The events in Ukraine are increasing the risks and uncertainty related to the financial year 2022. The net result in 2022 is expected to be lower than in the previous year due to this and the company is monitoring the situation very closely.

The company continues monitoring also the COVID-19 pandemic closely and proactively takes measures concerning its possible implications to the business.

Events following the end of the financial year

In January 2022 Paulig completed the acquisition of Liven, S.A., a Spanish snacks company, to accelerate growth in the Tex Mex and snacking categories.

Paulig is also planning to exit the Gold&Green plant-based protein business. Paulig has sold its Gold&Green brand, intellectual property and the R&D function related to that and started cooperation negotiations with the employees of Gold&Green Foods Ltd.

In March 2022, Paulig started the process to withdraw from its operations in Russia.

Consolidated Statement of Comprehensive Income

EUR 1 000	2021	2020	EUR 1 000	2021	2020
Revenue	966 318	919 532	Other comprehensive income (OCI)		
Other operating income	9 777	9 762			
Materials and services	-532 500	-489 964	Items that may be reclassified to profit or loss in subsequent periods		
Employee benefit expenses	-143 621	-137 094	Foreign currency translation difference	-3 928	3 330
Depreciation, amortisation and impairment losses	-42 142	-49 555	Change in fair value of hedging instruments	-18 266	-581
Other operating expenses	-166 541	-173 167			
Share of result in associated companies	4 031	8 750	Items that will not be subsequently reclassified to profit or loss		
Operating profit	95 322	88 264	Actuarial gains and losses from defined benefit plans	1 006	-1 550
Financial income	20 711	10 108	Changes in fair value of equity investments through OCI	2 000	1 451
Financial expenses	-9 124	-11 630	Tax effect	-642	110
Net financial expenses	11 587	-1 522	Other comprehensive income (-loss), net of tax	-19 830	2 760
Profit (-loss) before taxes	106 909	86 743	Total comprehensive income (-loss) for the year	65 479	69 442
Income taxes	-21 600	-20 060			
Profit (-loss) for the financial year	85 309	66 683	Profit for the financial year attributable to		
			Owners of the parent company	85 309	66 683
				85 309	66 683
			Total comprehensive income for the year attributable to		
			Owners of the parent company	65 479	69 442
				65 479	69 442

Consolidated Statement of Cash Flows

EUR 1 000	2021	2020
Cash flows from operating activities		
Net profit (-loss) before taxes	106 909	86 743
Adjustments 1)	-1 323	37 363
Change in net working capital:		
Change in trade and other receivables	-17 297	2 828
Change in inventory	-7 707	-5 012
Change in trade and other payables	14 214	7 250
Dividends received	2 870	9 199
Interest received	10 745	6 403
Interest paid	-7 126	-7 321
Other financial income and expenses, net	4 921	-1 462
Income taxes paid	-20 050	-18 711
Cash flows from operating activities (A)	86 157	117 279
Cash flows from investing activities		
Investments in tangible and intangible assets	-46 700	-36 674
Proceeds from disposal of tangible assets	15 157	16 721
Investments in other investments (subsidiary acquisitions)	0	-7 063
Dividends received	1 217	176
Net cash flow from investments	-11 663	-49 453
Cash flows from investing activities (B)	-41 989	-76 293
Cash flows from financing activities 2)		
Increase (-), decrease (+) in long-term receivables	399	-879
Dividends paid	-21 016	-20 397
Proceeds from borrowings	50 000	0
Repayments of leasing liability	-18 220	-16 474
Cash flows from financing activities (C)	11 163	-37 750

EUR 1 000	2021	2020
Change in cash flows (A+B+C)	55 331	3 235
Cash and short-term deposits at 1 January	83 149	80 554
Net foreign exchange difference	2 071	-640
Cash and short-term deposits at 31 December	140 551	83 149
Change	55 331	3 235
1) Adjustments		
Depreciation, amortisations and impairments	42 142	49 555
Share of associated companies results	-4 031	-8 750
Eliminated foreign exchange gains and losses	313	-867
Financial income and expenses	-11 587	1 522
Other adjustments	-28 160	-4 098
Total	-1 323	37 363

2) Changes in liabilities arising from financing activities

Cash flows from financing activities consist of dividends paid, proceeds from borrowings, received finance lease receivable payments and repayments of leasing liability.

Board of Directors



Jukka Moisio
b. 1961
M.Sc. (Econ.)
MBA
Chairman of the Board
since 2020
Member of the Board
since 2019



Mathias Bergman
b. 1956
Ph.D
Member of the Board
since 2020



Christian Köhler
b. 1958
M.Sc. (Eng.),
M.Sc. (Mktg)
Member of the Board
since 2009



Eduard Paulig
b. 1962
M.Pol.Sc.
Member of the Board
since 2016



Peter Rikberg
b. 1982
LL.M
Observer of the Board
since 2020



Heikki Takala
b. 1966
M.Sc (Econ.)
Member of the Board
since 2021



Petra Teräsaho
b. 1966
M.Sc. (Econ.)
Member of the Board
since 2020



Christina Wergens
b. 1969
M.Sc. (Econ.)
Member of the Board
since 2020



Sarah Tähkälä
b. 1969
LL.M.
Secretary of the Board
since 2019

Leadership Team



Rolf Ladau
b. 1967
CEO
Working for Paulig
since 2018



Paula Backman
b. 1975
CMO
Working for Paulig
since 2020



Arnauld Demoulin
b. 1971
SVP, Business Area
Customer Brands
Working for Paulig
since 2020



Lenita Ingelin
b. 1967
SVP, Business Area
Finland & Baltics
Working for Paulig
since 2013



Kaisa Lipponen
b. 1980
SVP, Communications &
Sustainability
Working for Paulig
since 2019



Thomas Panteli
b. 1970
SVP, Supply Chain &
Sourcing
Working for Paulig
since 2019



Anu Pires
b. 1970
SVP, HR
Working for Paulig
since 2018



Henrik Samuelson
b. 1971
SVP, Business Area
Scandinavia & Central Europe
Working for Paulig
since 2014



Olga Svechnikova
b. 1970
SVP, Business Area East
Working for Paulig
since 2020



Sarah Tähkälä
b. 1969
SVP, Legal
Working for Paulig
since 2010



Juha Väre
b. 1970
SVP and CFO
Working for Paulig
since 2019



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