



Annual Report 2020


PAULIG
For a life full of flavour.



For a life full of flavour.



Annual Report

Paulig in brief	4
CEO's review	6
Business Areas in focus	8
Sustainability	13
Corporate governance	63
Board of Directors' report	64
Financial information	67
Consolidated Statement of Comprehensive Income	68
Consolidated Statement of Financial Position	69
Consolidated Statement of Cash Flows	70
Board of Directors	71
Leadership Team	72
Contact information	73

Paulig in brief



Family-owned company, founded by Gustav Paulig in

1876

Purpose

For a life full of flavour.

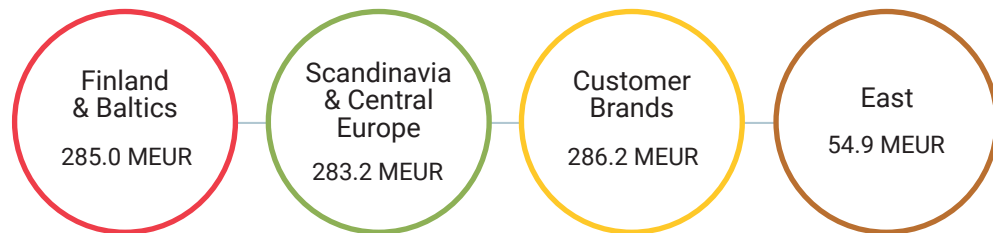
Revenue

919.5 MEUR

EBIT

88.3 MEUR

Revenue per Business Area



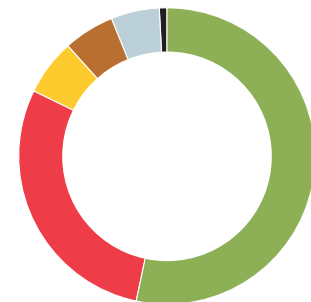
Values



Brands



Revenue per market



- 53.4% Nordic countries
- 28.8% Continental Europe
- 6.2% Baltics
- 5.4% UK
- 5.4% Russia
- 0.7% Others

Total avg headcount

2160

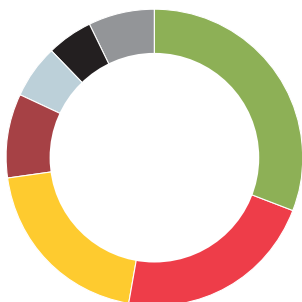
Female
45%



Male
55%

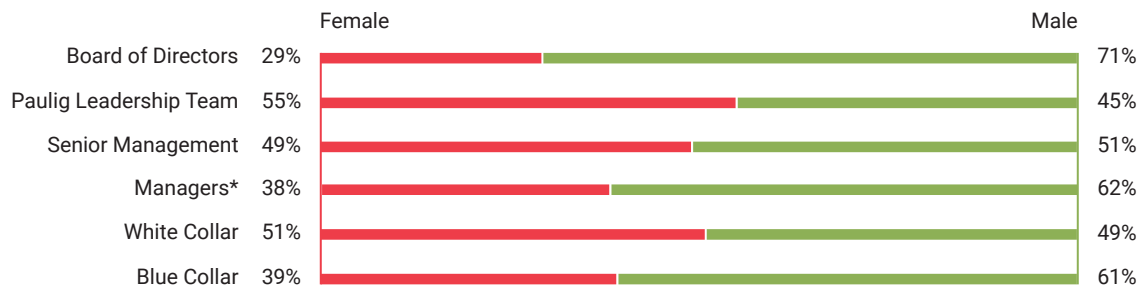


Avg headcount per country



- 31% ● Belgium
- 22% ● Sweden
- 20% ● Finland
- 9% ● Russia
- 6% ● Estonia
- 5% ● UK
- 7% ● Others

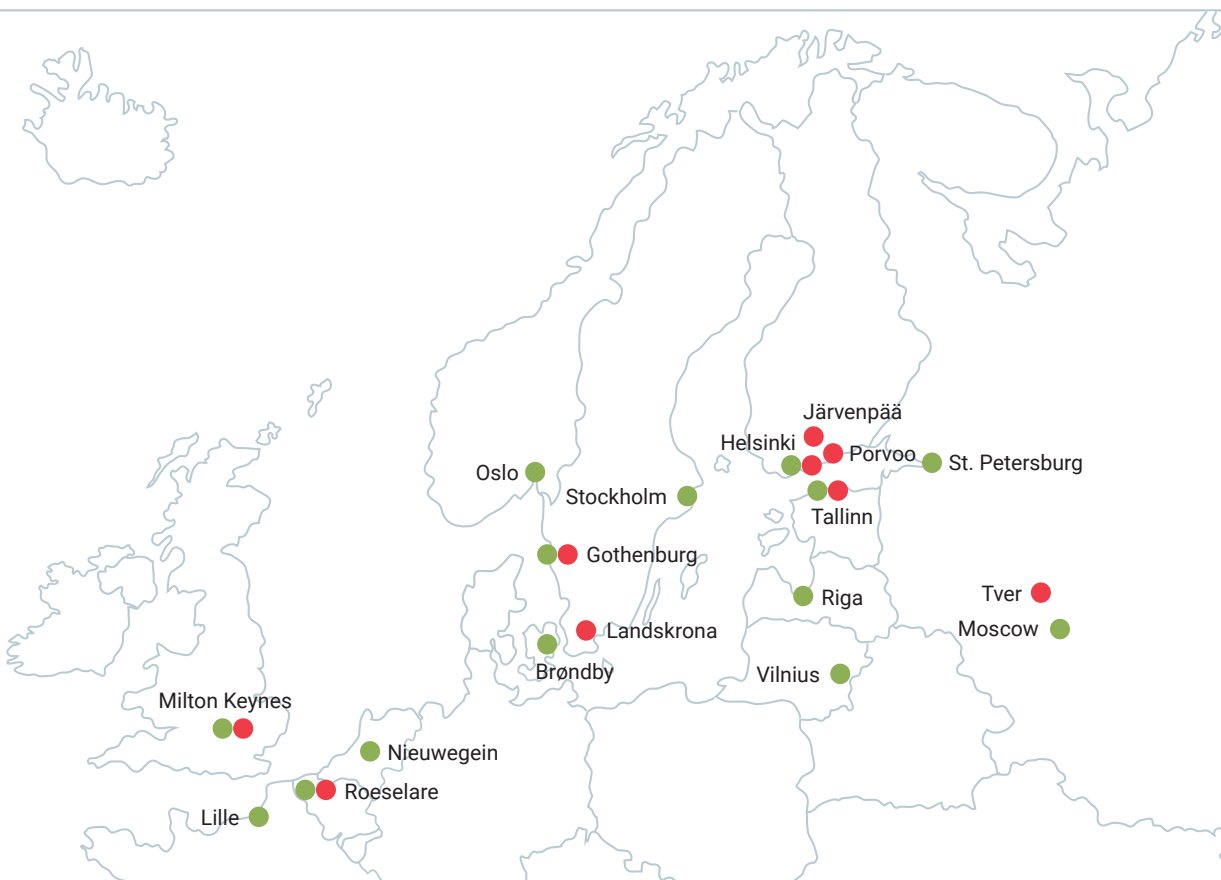
Gender by position 2020



* Managers leading a team

Operations in 13 countries

- sales
- production





CEO's review

“ Paulig aspires to become one of the fastest growing food & beverage companies in Europe, and a sustainable frontrunner in the industry. In 2020, we continued our determined work to pursue our goals, despite the Covid-19 pandemic, which clearly impacted our business. The company achieved strong sales despite the highly challenging operating environment and Paulig's performance was strong in 2020. In 2020, Paulig's revenue totalled EUR 919.5 million (2019: EUR 921.4 million). Paulig reached an operating profit of EUR 88.3 million (75.4) which was 9.6 per cent of net sales (8.2). We announced our ambitious new Sustainability Approach, based on the UN Sustainable Development Goals, and were the first food & beverage company in Finland to set science-based climate targets.

The global Covid-19 pandemic that began in early 2020 affected Paulig's business particularly in Q2. Our Out of Home business, which offers products and services for hotels, restaurants and cafés, suffered most due to the lockdowns imposed in various countries to curb the pandemic. Regardless of a slight recovery in demand during the year, sales to restaurants, cafés and food service companies declined by 23 per cent in 2020 in comparison with 2019, whereas retail sales grew by 6.8 per cent, owing to people cooking more at home. Our personnel in 13 Paulig countries performed extremely well in the challenging and unexpected situation. Throughout the exceptional circumstances, we succeeded in continuing our operations without interruptions, delivering products to our customers in 70 countries as usual. We rapidly introduced new operating methods and remote working tools, and I am very happy to say that the work arrangements, planned jointly with our employees, made it possible for us to avoid furloughs and lay-offs.

Tex Mex continued as the main growth category in our portfolio. In Tex Mex, Paulig is the leading company in Europe with both branded and private label products. In 2020, the

category grew by 7.6 per cent on average, driven by, for example, the fact that remote work and home cooking became more common. To support the growth, we announced the largest investment in Paulig's history outside Finland: a EUR 45 million investment in building a new production facility in Roeselare, Belgium. The facility, which is scheduled to begin operations in 2022, marks an important step in the execution of Paulig's international growth strategy, and will strengthen our leading position in the Tex Mex category in Europe.

Another key category for Paulig is coffee, and we hold a strong market position in Finland, the Baltics and Russia. Intense competition continued in the coffee category and, in line with our strategy, we focused on strengthening our brands and increasing the sales of premium coffees, which was up by 1.6 per cent. In addition, we launched Gold&Green Pulled Oats – a plant-based protein – on new international markets with great growth potential. A prime example of this is the launch of Pulled Oats in the product range of Sysco, a US-based distributor to professional kitchens.

In 2020, Paulig launched many new products, including Reykjavik coffee and a three-flavour tasting set in the City Coffee series. In addition, we renewed the iconic Presidentti coffee brand and celebrated spectacularly the 70th anniversary of Paulig's Coffee Ambassador tradition. Paulig opened a new Paulig Café&Store café in Moscow to strengthen the brand's presence in Russia, and the Paulig Kulma coffee house in Helsinki was refurbished.

The Risenta brand, which focuses on healthy, pure and tasty food products, was renewed and relaunched impressively in Sweden. For now, Risenta's focus is on growth in the Swedish market. Gold&Green Foods developed Deli Oats, a new type of ready-to-use protein product, which makes it even easier for everyone to enjoy vegetarian food.

Benefits from the new operating model

In 2019, we renewed our operating model. In the new model, Paulig is organised into geographical Business Areas and shared Business Functions that support all Business Areas. In 2020, the first full year of operations under the new model, it proved its strengths: our Business Areas served customers with a broader offering and made use of the organisation's capabilities in all markets. During the year, we made clear progress in harmonising our processes and implementing the best practices throughout the organisation, which was reflected, for example, in improved efficiency in the supply chain, sourcing and production. The project for harmonising operations in finance and financing opened up a broad overview across the company's operations, and we are now able to make even better decisions to grow our business.

Paulig Safety Culture has made clear progress over the past two years. Since our employees' health and safety is one of our key priorities, we launched the new "Yes, we care" approach in June, to focus on the development of our safety culture. We succeeded in reducing the number of lost time accidents by 37 per cent from 2019, and the safety indicator, the LTAF figure, was 3.6. We are committed to a Zero Accidents policy, and the work to reach it continues together with all employees.

In the spring, Paulig launched the ambitious Sustainability Approach. The objective is to see 70 per cent of the company's revenue coming from products and services that enable health and wellbeing for people and the planet by 2030. The Sustainability Approach, based on selected UN Sustainable Development Goals, is an integral part of Paulig's growth strategy and business across 13 Paulig countries. Sustainability will be one of the factors that steer our product development and investment decisions. To achieve these ambitious goals, we need to work together with our employees, customers and partners

across the value chain. We began implementing the Sustainability Approach in 2020, making us the first food & beverage company and one of the frontrunners globally to set science-based climate targets approved by the Science Based Targets initiative. We took a concrete step towards our emission reduction goals as our coffee roastery building in Vuosaari was awarded the CarbonNeutral® certificate as proof of carbon neutral production.

Solid base for future growth

During the year, the new operating model proved that we have built a solid foundation for future success. Flexible cooperation across business areas and investments in the brands, innovations and production are the drivers of Paulig's future growth. The focus on sustainability will ensure our competitiveness in the future, as our employees, customers and consumers expect us to take concrete action to mitigate climate change and promote well-being.

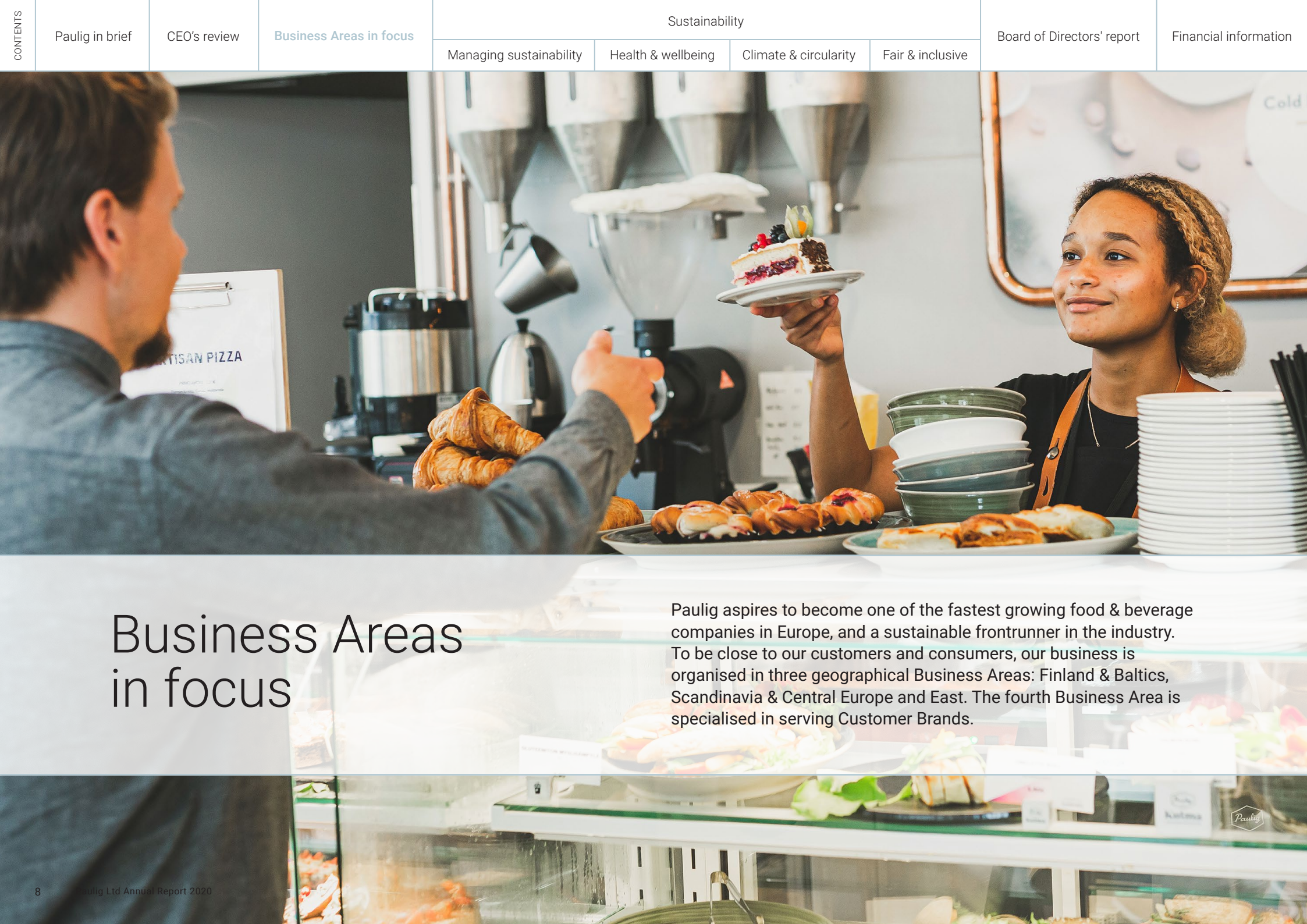
I would like to thank all of our employees for their exceptional commitment during the challenging year plagued by the Covid-19 pandemic, and our customers and partners for their valuable collaboration. ”

Helsinki, March 2021



Rolf Ladau, CEO, Paulig

Flexible cooperation across business areas and investments in the brands, innovations and production are the drivers of Paulig's future growth. Also the **focus on sustainability** will ensure our competitiveness in the future.



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 285.0 EUR million (301.7) in 2020. Due to the Covid-19 pandemic the year was extraordinary, especially in the Out of Home sector. In Finland and the Baltics, the total coffee sales were slightly below the previous year. However, the premium coffee segment grew by 3 per cent and the Tex Mex category by 16 per cent. During the year 2020 people were experimenting with new tastes in cooking at home and that had a positive effect on the sales of Asia category (+19%) and spices (+6%) in Retail sector.

In 2020, Paulig renewed the iconic Presidentti coffee and celebrated the 70th anniversary of the coffee ambassador tradition. In addition, a new variant for City Coffee range, Café Reykjavik, was introduced in Finland and Estonia and Classic Cremoso in the Baltics. Juhla Mokka continued successfully its famous campaigns for Mother's Day and Christmas with special edition packages in Finland. Paulig Kulma in the Centre of Helsinki was renovated.

Paulig continued its sustainability work in the coffee sector and achieved CarbonNeutral® building certification for its Vuosaari coffee roastery. Paulig's ambition is to reduce the greenhouse gas emissions from its own operations by 80 per cent by

2030, and the plan is to make all of its production sites carbon neutral by the end of 2023. Paulig has been a pioneer in the coffee industry's sustainability work. As one of the few large roasteries in the world, the company uses coffee beans from only verified sustainable sources. In 2020, Finnish consumers ranked Paulig as number one in the beverages category of the Sustainable Brand Index, the largest brand study on sustainable development in the Nordic countries. Paulig is the leading coffee brand in Finland, Estonia and Lithuania and among the top five in Latvia.

In the food categories Paulig focused on promoting healthier choices for the planet and people and launched new Deli Oats by Gold&Green Foods in Finland. Santa Maria is the leading brand in the Tex Mex segment. In the spice categories Santa Maria is one of the most popular brands in Finland and the market leader in the Baltics.

In the foodservice and office sectors sales declined compared to the previous year due to the consequences of the coronavirus restrictions. During 2020 Paulig organized several on-line events and published many inspirational videos to support its customers through the challenging times.

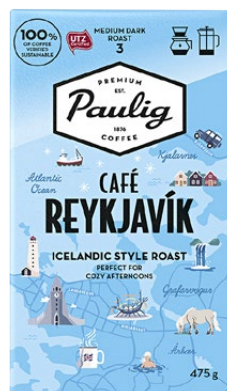
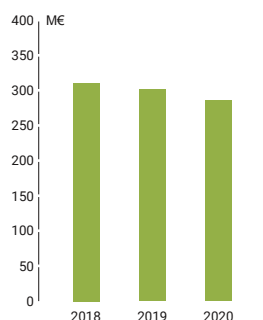
Facts about the Business Area

SVP of Business Area:
Lenita Ingelin

Revenue 2020:
EUR 285.0 million

Master Brands:
Paulig, Santa Maria,
Gold&Green and
Risenta

Revenue



Business Area Scandinavia & Central Europe

The Business Area's revenue totalled EUR 283.2 million (276.6) in 2020. In a challenging year due to Covid-19, a strong growth in the Retail channel managed to overcompensate for the heavy drop in the Out-of-Home channel. The growth was driven by all Santa Maria categories (Tex Mex, Spices, Asia and BBQ). In Retail, Norway, the Benelux countries and the international sales markets all grew above 20 per cent. Sweden Retail grew by 7.7 per cent.

The Santa Maria brand kept its strong market positions across markets and segments. In Tex Mex Norway, the brand overtook the market leadership both in value and volume, while market shares declined in Denmark due to de-listings at a major customer.

During the year, the production of Risenta was moved from

Rotebro to the spice factory in Mölndal. Production problems after the move put pressure on service levels to customers, but the production was back on track by the end of the year. The relaunch of the Risenta brand during autumn included a new brand positioning, new design as well as a launch of new muesli variants.

The plant-based protein, Gold&Green, was further pushed in the Dutch Retail channel and launched into new customers in the Out of Home channel. However, the pandemic, with several lockdowns during the year, put pressure on the sales ambitions.

Facts about the Business Area

SVP of Business Area:

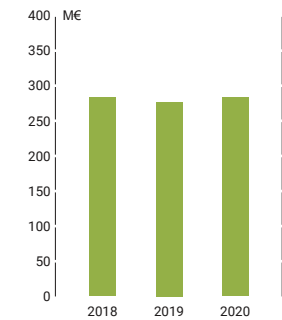
Henrik Samuelson

Revenue 2020:
EUR 283.2 million

Master Brands:

Santa Maria,
Risenta and
Gold&Green

Revenue



Business Area Customer Brands

The Business Area's revenue totalled EUR 286.2 million (267.4) in 2020, which is an outstanding performance in a year that was strongly impacted by the Covid-19 pandemic. As a result of the Covid-19 pandemic, Out of Home sales were heavily impacted (-22.5%) due to the temporary closure of the Out of Home industry in most European countries. The losses in Out of Home, however, were more than compensated by accelerated growth in the Retail channel (+15.7%) as Tex Mex answers consumers' needs for variety in their home meal. The stronger demand in Retail sales and the slowdown of Out of Home sales came with challenges to balance supply with demand. Flour tortillas and chips were the most important drivers for revenue, but also sales of dinner kits increased more than anticipated.

The main markets of the Business Area are France, Germany, the Netherlands and the UK. Also home market Belgium is an important and growing market.

The products are produced in three sites: two sites in Belgium and one in the UK. During 2020, Paulig announced the intention to invest EUR 45 million in an additional wraps production facility in Roeselare, Belgium, representing Paulig's largest ever investment outside Finland.

In September 2020 Arnaud Demoulin started as SVP of Business Area Customer Brands and member of Paulig Leadership Team.



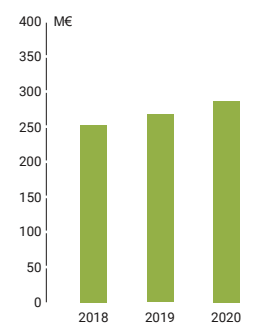
Facts about the Business Area

SVP of Business Area:
Arnaud Demoulin
(9/2020)

Revenue 2020:
EUR 286.2 million

Master Brands:
Poco Loco and
customers' own
brands

Revenue



Business Area East

The Business Area's revenue totalled EUR 54.9 million (62.6) in 2020. Compared to the previous year the sales volume grew by 5 per cent in coffee and decreased by 8 per cent in foods.

The volume growth in coffee, despite Covid-19 difficulties in Out of Home channel, was achieved due to broadening distribution and assortment that resulted in Retail growth (+11% vs 2019).

The Business Area led the launch of Presidentti Ruby, a new member of Presidentti product family, made from UTZ certified 100 per cent medium roasted premium Arabica coffee beans – the key stake for 2021 premium growth. In 2020 Paulig Classic Crema blend 1 kg was launched to support the strong position in mainstream.

Paulig opened flagship Paulig Café&Store in Moscow, a unique place for coffee lovers, inspired by the Finnish Paulig Kulma. In addition to the café and store, the site has Barista Institute, which will be SCA certified in 2021. The training facility offers customer

trainings, lectures, cuppings and master classes. Going forward, Paulig Café&Store will be instrumental in brandbuilding via creating information and promotional material for Paulig towards broad target audience.

Local production has reached 98.5 per cent waste recycle rate. 100 per cent of the laminate for Tver production is sourced from local suppliers who have production in Russia. In summer 2020 Paulig launched joint Sustainability project with McDonald's customer packaging coffee in 8 kg carton boxes that allows to reduce carton consumption and carbon footprint in the value chain.

In November 2020 Olga Svechnikova started as SVP of Business Area East and member of Paulig Leadership Team.

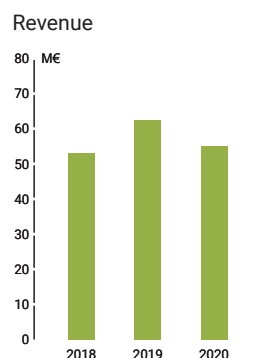


Facts about the Business Area

SVP of Business Area:
Olga Svechnikova
(11/2020)

Revenue 2020:
EUR 54.9 million

Master Brands:
Paulig and
Santa Maria



Sustainability Report

Sustainability highlights 2020	14		
Managing sustainability	16	Fair and inclusive way of working	46
Taste is the key to change	17	Road to our ambition	47
Sustainability governance	20	Our people	48
We work for a life full of flavour	21	COVID-19: Leading globally and caring locally	50
Our stakeholders	22	Healthy and safe workplace	51
Managing risks, tapping into opportunities	25	Driving sustainability in the value chains	53
Health and wellbeing of people and planet	27	Our economic impact	56
Road to our ambition	28	Our community investments	57
Managing food safety and quality	32	Key figures	60
Management systems in Paulig	34	Reporting principles	61
Climate action and circularity	35	GRI content table	61
Road to our ambition	36		
Circularity	41		
Key figures	45		

Welcome to Paulig's sustainability report 2020. This section of Paulig annual report 2020 describes Paulig's sustainability work during the financial year ending December 31st, 2020, covering all operations and companies that belong to the Group. The report is published annually, previous sustainability report having been published in April 2020.

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 more information, please contact Lea Rankinen, Director, Sustainability and Public Affairs,

Lea.Rankinen@Paulig.com.

Sustainability highlights 2020

SUSTAINABLE BRAND INDEX 2020: PAULIG THE FINNISH INDUSTRY WINNER IN BEVERAGES

We were ranked as **the most sustainable brand** in the beverage category. The study is conducted annually by the Sustainable Brand Index™, the biggest sustainable brand study in the Nordic countries.

SUSTAINABLE BRAND INDEX

SWITCHING TO CARBON-NEUTRAL PALLETS

As the first company in Finland, we decided to switch to CHEP carbon-neutral pallets. We will reduce our emissions annually by over **2,000 tCO₂e**, save about **1,400 trees** and reduce waste by approximately **145 tonnes**.

PAULIG SUSTAINABILITY APPROACH 2030

Our new, **long-term sustainability approach** was approved by the Board of Directors and launched across our organization and externally.

IMPLEMENTING OUR AMBITIONS: STRATEGIC SUSTAINABILITY INITIATIVES

Sustainability roadmap including **strategic sustainability initiatives for 2021–2023** were defined and approved by the Board of Directors.

DONATING PROTECTIVE GEAR AND DELIVERING COFFEE & FOOD

During the spring we were able to do something extra. Delivering **protective gear, food and drinks** for the health care workers and families in need were small gestures that brought joy and helped us prevent unnecessary food loss.





SOLAR PANELS ON THE ROOF OF OUR BELGIUM PRODUCTION SITE

1,900 solar panels were installed on the roof of our production site in Belgium. The output is estimated to be **655,000kWh per year** and corresponds to the monthly electricity consumption of the chips production.

SCIENCE-BASED CLIMATE TARGETS

Our ambitious climate targets were approved by the Science-Based Targets Initiative as **the first food and beverage company** in Finland.



AMFORI MEMBERSHIP

We joined amfori, the **leading global sustainability initiative**. amfori membership broadens our toolbox for driving positive change in the global supply chains.

TESTING WOOD-BASED RAW MATERIAL IN PACKAGING

A new **renewable raw material option, tall oil**, is a residue from the forest industry. The first test batch with Paulig Café New York was successfully packed and released to market.



SUPPORTING EU-LEVEL HUMAN RIGHTS AND ENVIRONMENTAL DUE DILIGENCE REGULATION

We signed a joint **statement** of support for an EU framework on mandatory human rights and environmental due diligence.

VUOSAARI CARBONNEUTRAL® BUILDING CERTIFICATION

We achieved CarbonNeutral® building certification for Vuosaari coffee roastery in Helsinki, making it **our first certified carbon neutral production site**.



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



Managing sustainability

Paulig is an international family-owned food & beverage company. We want 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.



Taste is the key to change

In 2019, we set a strategic ambition to be a sustainable frontrunner within the food and beverage industry. To achieve this ambition, we created a new, long-term sustainability approach that is common to all of our business areas and functions, countries and brands. The Paulig Sustainability Approach 2030 sets a clear direction for Paulig and all of its brands during this decade.

Our role as an international food & beverage company is to offer new flavours and inspire consumers with more sustainable choices that do not compromise on taste or convenience. We can be a small but significant force in transforming food culture and, with our new ambitious approach, we want to accelerate our sustainability work. We strongly believe the whole industry should do the same and we invite others to join us on this journey.

The world is changing constantly and we are changing with it. The biggest challenge of our time is climate change and urgent

changes are needed to mitigate the related risks. The food industry is part of this problem, but it can also be a changemaker: our sustainability approach defines the actions we will take to fight climate change. 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 health and wellbeing of both people and the planet. While doing all this, we want to be known as a fair and inclusive partner, throughout our value chain. We continue to develop our values-driven company culture to ensure that all of our employee regard Paulig as a fair and inclusive company.

Sustainability has always been a part of our DNA, and our approach builds on and also makes visible the work done in past years in different parts of Paulig. It was built together with experts

from across Paulig and we listened carefully to what our stakeholders expect from us. The programme is based on three prioritised United Nations' Sustainable Development Goals and has three focus areas with long-term ambitions: the health and wellbeing of people and the planet, climate action and a fair and inclusive way of working.

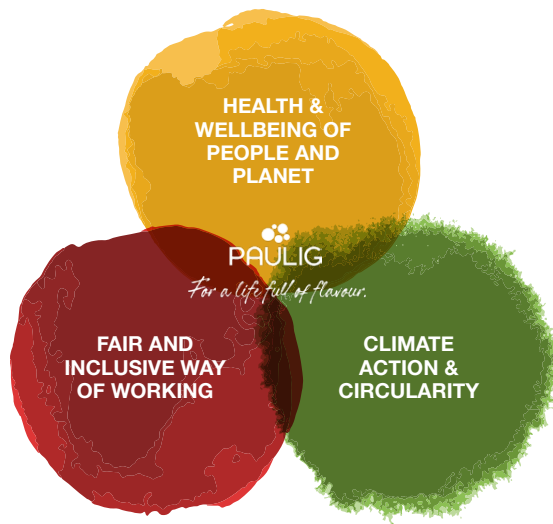
The implementation of our sustainability approach got off to a strong start despite the COVID-19 and a first roadmap towards our 2030 ambition was created. The roadmap and our strategic sustainability initiatives were approved in June and they are included in our business strategy for 2021–2023. Sustainability is reflected not only in our product portfolio and operations, but in everything we plan to do today and in the future. As part of the approach, we set science-based climate targets that were validated by the Science Based Targets initiative in July 2020.

AMBITION

70% of our net sales comes from products and services which enable 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

80% less GHG emissions from own operations, 50% less GHG emissions in our value chain

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

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



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



We want to be at the forefront of change because we know that **taste is key in building a better world**. What we put on our plate or in our cup today, will make a difference tomorrow.

Commitment to UN Sustainable Development Goals

Paulig is committed to all 17 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. During the process of creating the Paulig Sustainability Approach 2030, we identified Responsible consumption and production, Climate action and Decent work and economic growth as the areas where we have the biggest impact.



FOCUS AREA	AMBITION 2030	PROGRESS 2020	FOCUS 2021	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	Health framework and criteria development for defining healthy products for people started Status evaluation and baseline calculations for the ambition initiated	Completion of criteria development and status evaluation, including healthy products for the planet	On track
CLIMATE ACTION AND CIRCULARITY	80% less GHG emissions from own operations, 50% less GHG emissions in our value chain	Our climate targets approved by the SBTi Strategic initiatives for 2021–2023 defined: <ul style="list-style-type: none"> • Carbon neutral own operations 2023 • emissions reductions in the value chains of coffee and wheat 18% emissions reduction in own operations due to increased sourcing of renewable electricity and improved energy efficiency Vuosaari Roastery CarbonNeutral® building certification	Site-specific roadmaps towards emission reduction targets Identifying and developing emissions reduction possibilities together with suppliers in coffee and wheat value chains Landskrona, Mölndal, Gold&Green Helsinki and Robert Paulig Roastery production sites CarbonNeutral® building certification	On track
	All our packages will be recyclable and made from renewable or recycled materials	Strategic initiative for 2021–2023 defined: focus on recyclability of packaging	Defining criteria for recyclability Calculating the baseline for our ambition Setting recyclable packaging priorities for 2022–2023	On track
FAIR AND INCLUSIVE WAY OF WORKING	100% of raw materials from high-risk areas come from sustainable sources verified by external parties	Initiated mapping the current status for 2030 ambition Strategic initiative for 2021–2023 defined to be focused on spices	Completion of current status and definitions Working towards third party verifications for the selected priority spices	On track



An inspiring and productive year

“ The year 2020 was the year of our new One Paulig Sustainability Approach 2030. The approach was successfully launched and integrated into our business strategy by defining a roadmap and setting the strategic initiatives for 2021–2023. This is a great leap forward and something definitely worth celebrating.

The process for defining the roadmap and setting strategic initiatives for our long-term ambitions was thorough and engaged various members in our organisation. We set the ambition where we want it to be – high. Importantly, we have further strengthened our team's expertise and capabilities to match the defined focus areas and ambitions.

Gaining CarbonNeutral® building certification for our Vuosaari, Helsinki, roastery was definitely one of the highlights of the year. This made visible the hard and persistent work that has been done over the years. Such a great achievement does not happen overnight but through long-term commitment.

I want to thank all Pauligians for their strong engagement

and commitment to sustainability, and for building a strong foundation that will enable the new, group-wide sustainability approach. Sustainability is truly part of our culture, and now we have re-focused our efforts.

Where will our focus be in the coming years?

I am happy to say that 100% of our coffee comes from sources verified sustainable, and now we will continue the work by implementing climate actions together with our suppliers in the value chains. We will also take forward and systematise the sustainability work in our spice value chains. In our own operations, we will continue the work to make all of our production sites carbon neutral by the end of 2023, and find solutions for recyclable packaging.

I look forward to continuing this journey together with everyone at Paulig. ”

Lea Rankinen, Director, Sustainability and Public Affairs

We can be a small but significant force in transforming food culture and, with our new ambitious approach, we want to accelerate our sustainability work.



CASE

Invitation to join our sustainability journey

Our "Can you taste the change?" LinkedIn campaign, which ran in spring 2020, sought to raise awareness for our ambitious sustainability approach and build a sustainable Paulig brand. Through the campaign, we wanted to attract customers, partners, employees and suppliers to join us on our journey, as collaboration is key in achieving our ambitious targets.

Our campaign was also recognised externally when it won its category, brand communications, at the LinkedIn Agency Champions awards in Finland in autumn 2020. "It was great to see the success of the campaign. The videos were well received among our target groups, and we gained a 77% higher engagement rate compared to LinkedIn's benchmark. Our employees played a big role in making the campaign so successful – they shared our video content actively with their networks. Since the campaign, we have continued together the great flow of our sustainability communications," says Heidi Liljeblad, Communications specialist at Paulig.



Sustainability governance

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

The commitment to our ambitions starts with our Board of Directors. The Board approves focus areas and targets for our sustainability work and is updated biannually on the implementation work. The responsibility for our sustainability work is with the Group Leadership Team, where the sustainability work is led by the SVP, Communications & Sustainability. The Sustainability team, headed by the Sustainability and Public Affairs Director, is responsible for sustainability strategy planning and development, leads and develops our actions towards our strategic ambition, identifies priorities, sets clear roadmaps, monitors implementation and measures impact. It also provides internal consulting and collects feedback, and is responsible for stakeholder management and reporting. Continuous sustainability work is integrated into and implemented according to the roadmaps in the Paulig Business Functions and Business Areas. The Sustainability Management Group with representatives from different business functions and business areas will be set up in 2021 as defined in the Paulig sustainability governance model. The Sustainability Management Group will start meeting quarterly to oversee the implementation of the sustainability initiatives and alignment with business activities.

An estimated
34% of global
greenhouse gas
emissions comes
from the food system.

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 new *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.

During 2021, we will focus on implementing and cementing our ways of working. We will build a system to enable regular monitoring of our performance against our targets and to how to evaluate our impact.



We work for a life full of flavour

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 and ensures our value chain. We will review and update our Code of Conduct during 2021 to ensure it supports us in achieving our ambition and meeting increased expectations

All Pauligians complete online training on our ethical principles as part of our orientation programme. The training is available in six languages (Dutch, English, Estonian, Finnish, Russian and Swedish) to serve our employees in all the countries where we have operations. The purpose of the training is to ensure our ethical principles are reflected in our methods and daily work.

Common policies and local management systems guide daily

operations. During 2020, we updated some of our key policies, including our environmental policy, and implemented them into our operations. For 2021, we have identified the need to continue strengthening the management structure by further developing our guiding policies by addressing issues such as deforestation and biodiversity. Our policies and guidelines are available at pauligroup.com/sustainability/managing-sustainability.

Whistleblowing channel

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. Currently, the tool is not available for external stakeholders.

Reported breaches and non-conformities are evaluated and

investigated by a team appointed from members of the Paulig Leadership 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.

In 2020, three cases were received via the whistleblowing tool. Of the three, two cases did not qualify as whistleblower cases, but were investigated and response to the initiator was given. The third case was a general human resources case, which has been addressed according to the process and finalised during 2020.

Paulig's societal impact

Paulig took on the challenge in spring 2020 and was analysed using the Upright methodology to define Paulig's net impact profile. The analysis shows that we have a unique product portfolio, while our environmental impact is limited. We are well equipped to have a positive impact.

The Upright Project is a Finnish start-up company that aims to measure the holistic impact of companies. It has developed a model to describe companies' net impact. The net impact aims to describe what value the company creates and at what cost. It summarises the positive and negative impacts of the core business of the company on the world around it. The impacts are analysed on the environment, health, society and knowledge. Upright uses scientific publications as source data.

Paulig's relative net score is +3.3. For comparison, according to Upright, the average net score for a US Fortune 500 company is +0.1. Of the four criteria, health is the biggest positive contributor for Paulig (net impact score +4.5). The categories of diseases and diet contribute the most, meaning that the consumption of Paulig's products encourages or enables a healthy diet, meanwhile our biggest negative impact is on the environment (net impact score -2.2), GHG emissions being the biggest category. This result verifies our chosen sustainability ambitions.



Participants in Paulig Cooking Class in February 2020.



Our stakeholders

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. We also provide them with inspiration and information in the form of 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. For example, we have received information requests regarding the focus areas of our climate efforts and the origin of our raw materials.

Consumers can reach us through our consumer service channels and social media. We have received questions regarding, among other topics, food waste and our actions to reduce it, the health aspects of our products and their environmental impacts. Consumers have also raised questions regarding the recyclability of our packaging.

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, recyclability or emissions reductions. In June 2020, we had a meeting with one of our European retail customers to discuss our targets for packaging recyclability and moving to renewable or recycled materials, and finding

We believe that **genuine sustainability ambitions should and must be communicated proactively.**

They act as an open invitation, that is, an invitation for partners and Pauligians to work together to find solutions, innovate and develop towards the goals that help us build a more sustainable food system.

Kaisa Lipponen, SVP, Communications & Sustainability

Contact us in social media

For us, social media provides a great opportunity to both share our expertise and learn from others through open discussion. For this reason, we can be contacted through various social media channels, and we actively encourage our employees to be present in social media, such as LinkedIn and Instagram. During 2020, gaining the CarbonNeutral® Building certification for our Vuosaari, Helsinki, roastery and the steps we took in our packaging development raised discussion, especially the former, among our stakeholders and offered us an opportunity to say more about these topics. For example, many consumers were interested in learning how the use of renewable raw materials in coffee packaging affects their recyclability in Finland, and they were glad to hear that all our coffee packages can be sorted into plastic waste collection. You can find us on Facebook, Instagram, LinkedIn and Twitter, and find our experts by using the hashtags #mypaulig and #pauligflavour.

international alignment for the recyclability definitions. In September, we organised a roundtable in Russia to discuss coffee consumption and sustainability with one of our major clients, McDonalds. At the event, we published our joint sustainability effort, which aims to decreasing CO₂ emissions related to logistics.

Owners and employees

Throughout our history of over 140 years, we have been a company of the future, 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.

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. >> [Read more](#)

Non-governmental organisations and research institutes

During 2020, we provided information for two articles written by the Finnish NGO Finnwatch. The articles addressed issues related to the supply chain of cassia cinnamon and the practices of monitoring and reporting on greenhouse gas emissions in the supply chain.

In June 2020, Paulig hosted a virtual coffee meeting with a Finnish Ethical Trading NGO (Eetti ry). One specific topic of interest was the sustainable sourcing of coffee and our actions to improve the livelihood of farmers. We recognise the opportunity for mutual learning and will continue discussing topical issues with NGOs.

In addition to NGOs, research institutions are important partners for us in developing and broadening understanding of our

CASE

Using our voice

Paulig wants to participate in the public discussion on topics concerning our business and our impacts on society. As an example, in September, we joined 25 other business and non-governmental organisations in a joint call for an EU-level mandatory human rights and environmental due diligence regulation.

*During 2020, Paulig's representatives took part in discussions and shared experiences regarding many sustainability topics. **Lea Rankinen**, Director, Sustainability & Public Affairs, took part in a panel discussion on human rights regulation at the EU level, and **András Koroknay-Pal**, Head of Green Coffee Sourcing, shared what we know when it comes to mitigating climate risks within the coffee value chain. **Mariella Toiger**, Head of Marketing Finland and Baltics, and **Maija Itkonen**, Chief Innovation Officer at Gold & Green, shared their thoughts in panel discussions at the virtual Food Innovation Summit on how innovations will shape the future of the food industry and the best marketing tips and practices to boost plant-based sales. Paulig also hosted a panel discussion on the future of food as part of the Eat@Home -event.*

>> [Read more](#)



Maija Itkonen,
Chief Innovation
Officer Gold&Green
Foods



Our success is based on our value-driven and inclusive culture.

To form the basis of a strong culture, our three core values define how we work and behave everyday as we aim for our ambition.

impacts. We want to make sure we use our resources wisely, which means our actions need to be based on science. Due to the complexity of the issues, the expertise of research institutes or universities is needed.

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 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.

The European Spice Association (ESA) offers us an effective and active 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 technical and sustainability com-

mittees. 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.

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.

In Sweden, we are part of the Hållbar Livsmedelskedja initiative, which promotes sustainable production and consumption. The aim is to make sure that the food supply for a growing population can take place within our planet's limits.

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. [>> Read more about our work with our partners and local communities in the section Fair and inclusive way of working.](#)

Find more information on questions raised by our stakeholders

TOPIC	PAGE
Climate actions	35
Environmental impact of our products	37
Recyclability of our packaging	41
Food waste	43
Sustainability of our value chain	53
Human rights	55



Managing risks, tapping into opportunities

Our most important sustainability risks and opportunities were carefully identified and considered when the new sustainability approach was created. Together with our general risk management, implementation of our sustainability programme is the key instrument for mitigating risks and, on the positive side, benefiting from the opportunities. The new sustainability governance model will strengthen the systematic monitoring and governance of sustainability risks.

In our value chain:

Human rights

When it comes to human rights risks, we must consider how our actions affect people and communities instead of focusing only on the business risks caused by external factors. 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 continuously develop our processes and ways of working to ensure respect for human rights both in our own operations and throughout the value chain. We will focus on building more systematic due diligence processes with our suppliers and other partners, across our categories. [>> Read more on how we are furthering our human rights work in the section Fair & inclusive way of working.](#)

Climate change and deforestation

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 suppliers and 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.

Currently, we do not have a sufficient understanding of our deforestation impacts. In 2021, we plan to develop our approach to the issue.

In 2021 we will continue to develop the monitoring and reporting practices of Paulig's climate risks and impacts. [>> Read more on our climate actions in the section Climate and circularity.](#)

Biodiversity

We have identified biodiversity as an area where we do not have sufficient understanding of our impacts and the related risks. During 2021, we plan to map the biodiversity risks within our value chain. We will closely follow the discussion and regulatory development on the EU level and utilise our collaboration platforms for information sharing.

We need to explore all climate-smart farming methods to reduce our emissions and limit the global temperature increase according to the Paris Agreement's 1.5 -degree target.

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. [>> Read more on our safety performance in the section Fair & inclusive way of working.](#)

CASE

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. Climate change is not only affecting the consumption of coffee but, importantly, the livelihood of farmers. Coffee farming is the source of income for over 25 million farmers.

COVID-19 was not the only challenge in 2020. Extreme weather conditions have strained coffee origin countries. For example, in Central America, Nicaragua and Honduras, both important coffee growing countries, were hit by hurricanes Eta and Iota, causing landslides and flooding. Through our partner Mercon Coffee Group's Seeds for Progress Foundation, we were able to contribute to providing financial support for the reconstruction of roads in eleven coffee-growing communities. 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.

We need to work together with our suppliers and farming

communities to address and mitigate the impacts of climate change. Paulig is a founding member of the Coffee & Climate initiative that aims at equipping coffee farmers worldwide with the necessary tools and skills to successfully adapt to climate change.

The first two phases of the initiative 2010–2020 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. Lessons learned have been compiled into a toolbox and are an open-source resource shared with the coffee sector. The third phase started 2020 and will stretch over to 2024, focusing on further developing the toolbox, improving digital solutions to support climate adaptation and developing carbon offsetting programs in coffee regions. The initiative not only supports farmer families and helps to shape climate smart coffee regions, it also focuses on the establishment of carbon neutral coffee systems and fights deforestation. >> [Read more](#)



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



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 good for both people and the planet. We also aim to systematically reduce the carbon footprint of our products as well as inspire consumers to opt for sustainable choices.

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



AMBITION 2030

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

Road to our ambition

We have 10 years to go. During 2020, we set our course towards the new 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.

Luckily, we didn't start from scratch, though, as our product portfolio is already almost 100% plant-based today, and we have been developing healthier products for years. However, we will continue to develop our products in a healthier direction as well as innovate new products which are good for both people and the planet.

To better understand where we stand and the options going forward, we kicked off by developing a framework and criteria for defining what we mean by a healthy product for people as well as a model to evaluate our current status and the road forward. Next we will move on to developing a framework and criteria for the planet point of view. Our view of a healthy product will be based on and aligned with scientific evidence and authority recommendations, while also meeting our customers' and consumers' per-

Acknowledging the importance of taste and flavour, We want to drive a sustainably healthy food culture.

ceptions of what is important for them. It is also important to acknowledge that, no matter how healthy a product is, good taste and flavour are ultimately the key reasons for choosing it. Our plan is to finalise the model and calculate the baseline for our ambition during 2021.

Ensuring a life full of flavour for future generations

A key part of our work is acknowledging health as an important cornerstone for a sustainable food system, which must be considered along with other social and environmental aspects. Feed-



The transition towards a fair, healthy and environmentally friendly food system needs collaboration and innovation.

ing 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 scientific report published early 2019. It shows that a sustainable food system is possible with targeted and joint efforts. The focus area *Health and wellbeing of people and the planet* of Paulig's sustainability approach details our role and activities in joining the effort.

Unhealthy diets pose a remarkable risk to morbidity and mortality, while global food production puts an enormous strain on the climate and the ecosystem. For this reason, the health and wellbeing of people and the planet are considered simultaneously in Paulig's Sustainability Approach 2030.

One key aspect in sustainable food systems is shifting consumption towards more sustainable protein sources. Choosing fewer animal-based options and preferring plant-based options is shown in the EAT-Lancet report to be a crucial measure in respecting our planet's environmental boundaries.

The necessary transition to a sustainable food system is also an opportunity for Paulig to meet the demands of consumers today and in the future, providing sustainable products and services that match their values.

Legislative measures to enhance sustainability: Farm to Fork

Many of our products have a long journey all the way from farms to consumers' tables. Our value chain stretches to numerous countries and farms. Promoting and ensuring sustainability and transparency throughout our value chain is extremely important to us, just as the health impact of the food on our fork.

During 2020, the European Commission launched its sustainable food strategy, Farm to Fork, with a series of incentivizing and legislative measures waiting ahead of us in the coming years. The main targets of the Farm to Fork strategy are to reduce the climate footprint, food waste and the use of chemical pesticides and fertilizers in agriculture, to reverse the loss of biodiversity, and

Upcoming Farm to Fork measures in 2021–2024 relevant for Paulig

2021

- Requirement to integrate sustainability in corporate strategies
- EU carbon farming initiative
- Setting maximum levels for certain nutrients in processed foods

2022

- Nutrient profiles to restrict the promotion of foods high in salt, sugars and/or fat
- Proposal for harmonised mandatory front-of-pack labelling for healthy food choices
- Proposal for requirements regarding origin indication for certain products

2023

- Proposal for a legislative framework for sustainable food systems
- Proposal for EU-level targets for food waste reduction

2024

- Framework for sustainable food labelling to empower consumers to make sustainable food choices

CASE

Acknowledging the importance of taste and flavour

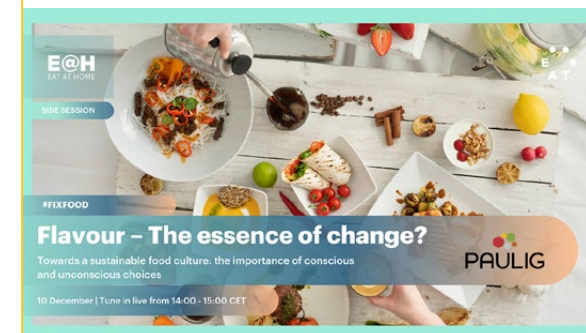
No matter how healthy a product might be, it doesn't support health and wellbeing if it's not eaten. For this reason, we emphasise the importance of healthy foods being attractive and tasty, understanding that a food product is not healthy unless it is eaten, and chosen again and again.

To deepen and widen the understanding around the importance of taste for sustainably healthy foods, Paulig arranged a webinar at the seminar series for a sustainable food culture EAT@Home.

EAT is a global, non-profit organisation dedicated to transforming our global food system. EAT@Home is EAT's new digital platform, where its partners, in parallel with newscasts, hosted a series of side sessions. These online events delved into the transformation of food systems across health, climate change, biodiversity and social equity.

Paulig hosted a panel discussion on how to move towards a sustainable food culture. The panel consisted of various experts, discussing around the topic of "Flavour – the essence of change?".

[>> Read more](#)





to ensure food security, nutrition and transparency as well as generate fairer economic returns in the supply chain. Paulig's Sustainability Approach 2030 contributes to this strategy in many ways.

Global food companies in both manufacturing and trade are expected to take leadership in creating and shaping food chains that work for consumers, producers, the climate and the environment. With our sustainability approach, we are well prepared to proactively join the discussion and warranted actions as well as initiate new collaborations, which are crucial in creating real impact and moving towards healthier and sustainable food production.

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, more sustainable direction.

Customers and consumers shall not have any concerns regarding our products, whether they are wondering where the products come from, what ingredients are in the products and why they are there, and how these ingredients might affect their health. Be-

sides, the fast-growing trend for vegetarian and plant-based products, the demand for products with less sugar, salt and additives are major trends in food and beverages. We embrace this challenge to continue developing and providing even better options.

In innovating new products and recipes, we consider health aspects early in the product development processes. This also applies to our existing products, and we have, for example, during a four-year period reduced the amount of salt in Santa Maria products by 250 tonnes and sugar by 500 tonnes. In our products, we have also replaced a number of additives with herbs, spices and natural ingredients, and, since 2015, palm oil has been replaced with rapeseed and sunflower oil in all Santa Maria products. Palm oil was also replaced with sunflower oil in Frezza coffee beverages in 2020.

Besides developing and providing sustainable products, the responsible communication and labelling around nutrition and health is of great importance to us. We strive to continuously keep ourselves up to date on the relevant legislation and best practices in the area.

CASE

Innovations and ventures for the future of food

In spring 2018, Paulig launched PINC (Paulig Incubator) for innovations and ventures in the future of food. Since its launch, PINC has evolved into the venture arm of Paulig, investing in start-ups that help Paulig renew itself and prosper as well as contribute to a tastier, healthier and more sustainable planet.

PINC looks for early-stage start-ups with a high degree of innovation and a strategic link to Paulig's own targets. Right now, PINC is particularly interested in the next wave of plant-based, alternative proteins, waste and upcycling, healthy beverages and snacking, personalised nutrition as well as new sales and convenience platforms.

"But there always has to be a societal impact as well," says Marika King, Head of PINC. "This is very clear from our brief and matches nicely with Paulig's ambition to be a sustainability frontrunner. In a way, you can call us a corporate impact investor, which is pretty unique and something to be proud of." >> Read more



Making good choices should be easy and tasty

One of the major obstacles to eating healthier and more sustainable 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 provide tasty recipes and develop tasty vegetarian products.

Our management team decided to join the movement and go for "Veganuary", eating mainly plant-based food in January 2020. Through the experiment they were able to gain interesting insights from one of the biggest trends in our industry, a plant-based diet, and inspire others.

Paulig is developing a **food culture for the future** and providing solutions to drive the well-being of people and the planet, such as through our plant-based product offering.

Everyday wellbeing

The year 2020 was not only the 80th anniversary of Risenta, it was also a time to update the brand range, packaging and adopt a more playful design and approach. With the relaunch, Risenta aims to inspire a broader range of consumers to make healthy choices that taste really good.

Easy and delicious

In 2020, we launched Deli OatBites, a new type of ready-to-use plant-based protein, made using a marinating process from raw materials familiar from Pulled Oats®: oats and legumes. This launch further diversifies the selection of Gold&Green® products and helps even more people choose plant-based meat alternatives.

From January 2021, Gold&Green's Pulled Oats® tacos were launched in all Taco Bell UK restaurants. It has already been on the Taco Bell menu in Finland and Spain. The plant-based filling works as a meat-free alternative to seasoned beef or grilled chicken.

Meat-free recipe inspiration

To support consumers in finding more sustainable diet options, we are providing them with both recipes and easy-to-use products for tasty vegetarian and vegan meals. Over 70% of the recipes developed for Santa Maria websites and social media during 2020 are vegetarian.



Managing food safety and quality

Food safety and quality are top priorities for us, and the focal building blocks of customer and consumer trust. Our work to secure product quality and safety stretches from raw material farming and sourcing all the way to the 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 and products meet our high requirements.

In our own production, we follow up all our procedures carefully in everyday operations to ensure that 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.

[>> Read more](#)

Paulig's End to End Supply Chain Excellence QEHS team is responsible for developing and harmonising our divisional processes and ways of working. During 2020, as part of harmonising our processes, we created and implemented new policies for the whole company regarding Food Safety & Quality, Allergens and GMO (genetically modified organisms).

New policies guide our work

The Food Safety & Quality policy is our backbone of the whole food safety and quality management. The policy is to ensure we are a trusted supplier of high-quality products and services to the markets.

Allergen management is to make sure that products do not

contain undeclared allergens. The new Paulig Allergen Policy guides our way of working and how we handle allergens in our company.

Genetic modification technology in agriculture and food production has been widely applied for many years and is increasing around the world. All genetically modified foods currently on the market have passed safety assessments and approval from national authorities and are regarded as safe. However, due to negative consumer attitudes and discussions regarding issues of concern related to the environment and human health, Paulig has decided that, for the time being, our products should not contain any GMO materials, and we have been working according to that for many years already.



Certifications

Within our assortment, Fair Trade, UTZ Certified, Rainforest Alliance and EU Organic certification schemes are used. Different certificates have different emphases; however, they have the shared goal of furthering sustainability in the supply chain.

Rainforest Alliance and UTZ merged in 2018 in response to the critical challenges facing humanity: deforestation, climate change, systemic poverty and social inequity. Rainforest Alliance and UTZ are now one organisation, but they are still two separate standards. The current Standard Requirements are in force until 30 June 2021. Step by step, we will get closer to using only one standard, which will be Rainforest Alliance and the new frog seal.

[->> More information at www.ra.org](http://www.ra.org)

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

At Paulig, food safety and quality are top priorities every day. Our quality and food safety work is based on certified management systems.

Developing food safety culture and our tools

We will continue to develop a common food safety culture at Paulig. While we already have strong local examples of food safety culture, we want to build on that to have a shared food safety culture and tools for the whole company. We also pursue a more harmonised and improved way of working to address complaints, demands and requests. For that, a common reporting tool for complaints was developed during 2020 and rolled out at the beginning of 2021 in addition to an ongoing project to improve handling of customer demands and requests.

Our new tool for managing the supplier base increases both transparency and knowledge about our raw materials and supply chain and thus helps us steer our sourcing in a more sustainable and safe direction. We have put great emphasis on improving the quality of our raw materials specifications, which has already shown results as less non-conformances or issues.

In addition, we implemented an internal audit programme that allows us to share our knowledge and experience within Paulig. The COVID-19 pandemic and the related travel and site restrictions hindered us from performing audits, as well as supplier audits regarding quality, food safety, the environment and health and safety at the sites. During 2020, the audits were mainly performed virtually.

Efficient processes for recalls and withdrawals

The health of consumers is our biggest responsibility and priority. Still, we know that things can sometimes go the wrong way and we must have a good and efficient process in place so we can react quickly. During 2020, we initiated five recalls or withdrawals of our products, from the Santa Maria, Poco Loco, Paulig and

CASE

Our sesame seeds proved to be safe

In autumn 2020, recalls of sesame seeds were made in several countries in Europe due to finding Ethylene oxide. Sesame seeds are used in products from both Risenta and Santa Maria, but we were pleased to say that analysis results are below the maximum limit. We also received confirmation from our supplier, with whom we have close and long-term collaboration, that this pesticide is not used in the value chain. Therefore, Paulig did not need to initiate any recalls.

However, we did take several measures:

- *As soon as we heard that Ethylene oxide had been found in sesame seeds from India, we immediately sent samples for analysis to verify that our products were not affected. The analysis result was below the maximum limit for this pesticide.*
- *To ensure product safety and in addition to our already rigid safety routines, we introduced increased control of sesame seeds.*
- *All our raw material that was analysed met the requirements regarding Ethylene Oxide. Since many companies used the same analysis providers, there were much longer waiting times than usual. As we did not get the analysis report for a few batches on time, we had to pull them from the market. The analysis showed afterwards that these batches were also safe.*



Risenta categories, and one for Gold&Green.

We made a product recall in Finland and Estonia due to the detection of listeria monocytogenes in Pulled Oats® Patty Hamburger product batch in internal quality control. As an exceptionally extensive safety precaution, we expanded the product recall to all Gold&Green products produced in July 2020. Food safety is of the utmost importance for us, and we are not aware of any cases of consumers fallen ill. We have undertaken extensive measures at our factory and conducted intense additional cleaning procedures and intensified our strict quality assurance further to ensure product safety and high quality in the future. Each batch is analysed before it is released for sale.

Relaunch of Legal Forum

The Paulig Legal Forum was relaunched and reorganised in early 2020. It now serves the whole Group and shares information about the recent news on food safety and food and packaging laws. In addition, we started an internal newsletter with "Did You Know" topics, where we clarify some of the existing laws, words and issues related to food and food safety.

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 CENTER 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		
	IFS Broker	German food safety standard for brokers (traded)								X		
	EU organic	Organic production	X	X	X	X			X	X	X	X
	Vitalilty 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-specific food safety & quality standards			X	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	
RFA/UTZ	Sustainable supply chain				X	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

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



Climate action and circularity

Paulig is among the forerunner companies in the food industry and we have science-based 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, and have set a target that all our packaging will be recyclable and made from renewable or recycled materials by 2030. Our main focus is now to develop recyclable packages by 2025.





AMBITION 2030

80%
less GHG emissions
from own operations,

50%
less GHG emissions
in our value chain

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

Road to our ambition

Scientists have predicted that we have less than 10 years to act to prevent the worst effects of climate change. As a food and beverage company, we want to be a part of the solution since an estimated 34% of global GHG emissions comes from the food system. At the same time, the global population is increasing and we need to find a more sustainable food system.

Based on a screening of the climate impacts of our entire value chain, we found that our own operations constitute only about 3% of Paulig's total GHG emissions, while the vast majority of emissions derive from our value chain, most notably linked to the agricultural production of raw materials that we use in our products. Therefore, we work with our suppliers and partners to adopt climate-smarter farming practices and look for new and more sustainable raw materials.

In our own operations, we will increase the share of renewable energy as well as improve the energy efficiency and waste recycling rate. Additionally, we are looking for ways to reduce food loss and waste and logistics-related emissions.

Paulig was the first food and beverage company in Finland to have climate targets approved by the Science Based Targets initiative.

To pursue circularity, we have already taken important steps in packaging development. Recyclable packaging and renewable and recycled materials continue to be one of our key focus areas.



Reducing value chain emissions by 50%

The vast majority of Paulig's value chain climate impacts, around than 80%, comes from raw materials and products sourced from all over the world. 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.

We are aware that a 50% reduction target is ambitious and challenging. We are mostly focusing on impacts from agricultural production, where farmers themselves have a big role to play. Paulig works with approximately 680 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.

Depending on the raw material in question, agricultural production usually accounts for most of the climate impact. In the case of coffee, for example, coffee cultivation contributes to approximately 40–70% of the full life cycle impacts, depending on the coffee's origin and farming method used. When the coffee consumption phase is excluded, cultivation contributes up to

The focus is on **climate-smart agricultural practices** that can enable lower-impact raw materials and better climate resilience for farmers in the future.

80–95% of the total climate impact.

Therefore, for the next three years, we are focusing on emissions reductions in the value chains of two of Paulig's main raw materials by volume: coffee and wheat, the latter of which is used in our tortillas.

Identifying and scaling up the best farming practices

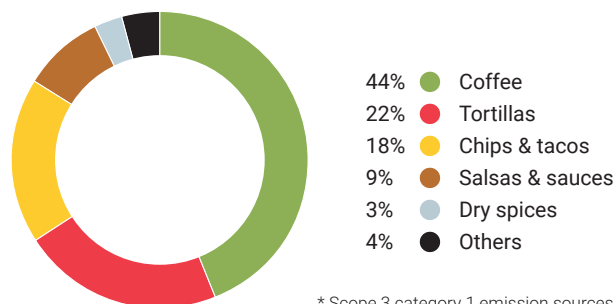
We are working together with our supply partners in coffee and wheat value chains to identify and quantify the emissions reductions potential for specific landscapes and farming systems. We also look to scale up the best climate-smart agricultural practices as well as introduce promising practices where feasible. We have already identified interventions such as fertilizer optimization, cover cropping and the use of shade trees or agroforestry as good practices in reducing farm-level climate impacts.

Furthermore, we are engaging with our suppliers to develop more comprehensive reporting of farm-level activities, including the use of inputs, such as fertilizers. This enables both the monitoring of climate impacts and the eventual reductions. Our aim is to have a better understanding of the prioritized climate-smart actions and the potential of those by the end of 2021 in order to monitor progress during 2022–2023.

However, cooperation with farmers is nothing new for us. For years, we have carried out systematic long-term co-operation and participated in several international projects that support environmentally sound farming and processing. For example, we are partners in the Coffee & Climate initiative, which helps coffee farmers adapt and prepare for changing conditions due to climate change. [>> Read more](#)

We value the expertise of farmers in working with nature as

Share of greenhouse gas emissions by product group*



* Scope 3 category 1 emission sources



Photo: Mikkel Jurimaa

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

they are very aware of the risks and uncertainties coupled with the changing climate. Moreover, farmers are also the ones who carry most of the financial and operational risks relating to agriculture. Therefore, we need to make sure that the programmes we plan and build together will also be financially motivating for farmers to join and contribute to.

First steps towards regenerative agriculture

While absolute emissions reduction in the Paulig value chain are a priority for the coming years, Paulig is also looking into the potential of regenerative agricultural practices both in reducing emissions from the agricultural soil and in increasing soil carbon sequestration.

The applicable regenerative agricultural practices always depend on the specific farming system and landscape. The approaches include, for example, cover cropping to manage soil erosion and improve soil quality, intercropping of two or more crops

to increase yields and the optimized use of nutrients.

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 is to continue developing the knowledge regarding carbon sequestration, measurement methods, verification as well as practical application at the pilot farms.

The potential of regenerative agricultural practices as one solution to combating climate change is being widely researched. Although potential has been identified, a number of questions for further research remain.

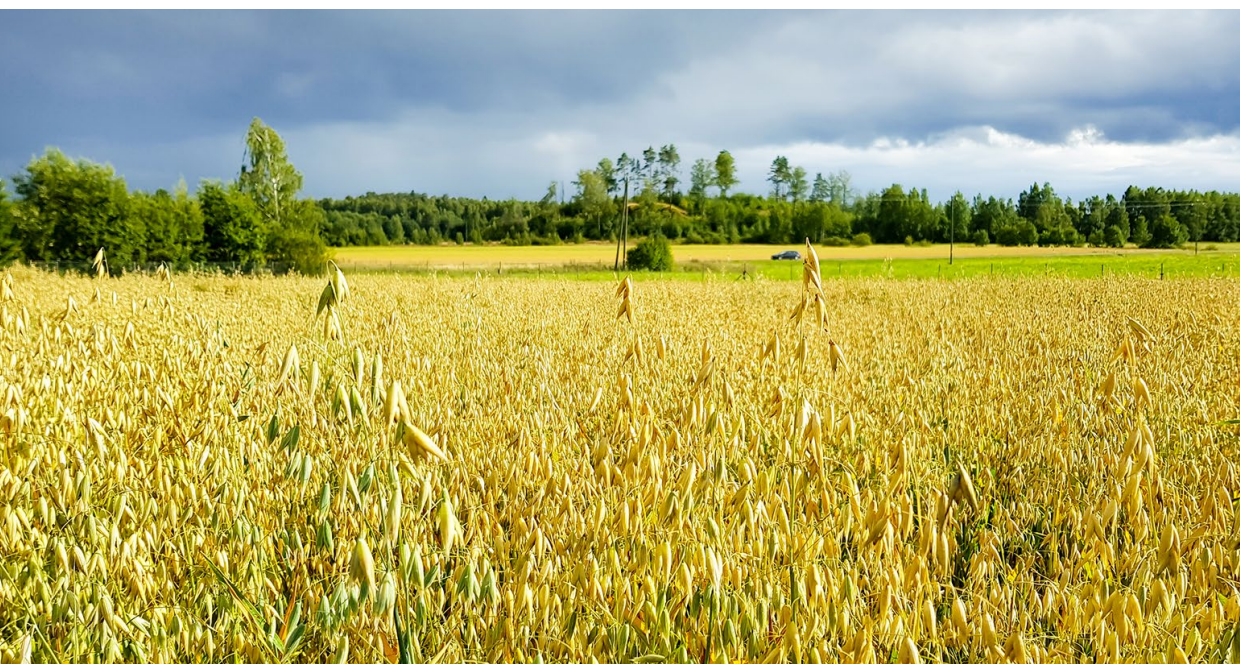
Target of 80% emissions reduction in own operations

In our own operations, our target is to reduce GHG emissions by 80% by 2030 from the 2018 baseline. Our emissions derive mainly

from energy consumption and also from refrigerant leaks at production sites. In 2020, we achieved a reduction of 18% compared to our baseline in 2018, mainly due to switching to sourcing renewable electricity at our Belgian production sites and Gold&Green production site in Finland as well as significant improvements in energy efficiency at our British tortilla production site. In 2020, 47% of energy sourced for Paulig's own operations was from renewable sources. Currently, all of our production sites in Finland, Sweden, Estonia, Belgium and Great Britain are purchasing 100% renewable electricity.

Paulig's group-wide energy intensity, i.e. the energy consumption per produced ton, in 2020 was similar compared to 2019.

Reducing our emissions by 80% requires continued efforts in improving energy efficiency at all our sites, such as through employing heat recovery and process optimization as well as increasing the sourcing of renewable energy. All of Paulig's sites have a systematic approach to environmental management and



CASE

Setting ambitious science-based climate targets

In July 2020, as the first food and beverage company in Finland, Paulig's science-based climate targets were approved by the Science Based Targets Initiative after external validation. Our climate targets are aligned with the 1.5°C pathway and, at the time of validation, were the most ambitious designation level in the SBTi process.

Prior to deciding on the targets, we conducted a comprehensive screening of the climate impacts of our value chain. This meant that, in addition to calculating the climate impacts of Paulig's own operations, we needed to estimate and quantify the climate impacts of sourced raw materials and products, logistics, capital investments, business travel and employee commuting, to name just a few.

The full screening of value chain climate impacts helped us identify the hotspots of our total climate impact and guided the development of our action plans.

the work at our production sites is aligned with ISO 14001 or ISO 50001 management systems.

Together with energy company Helen, we launched a pioneering project to recycle waste heat generated by the roasting process at our Vuosaari roastery in Helsinki. The recovered heat is directed to Helen's district heating network. The waste heat recovered in quantities is sufficient to cover the annual heat demand of 1,000 two-room apartments.

We will also screen for new possibilities to invest in our own renewable energy production as was done at our Poco Loco tortilla factory in Belgium, where 1,900 solar panels with an estimated output of 655,000 kWh were installed on the roof in late 2020.

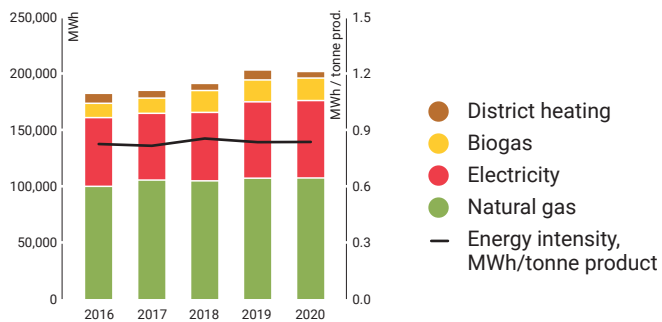
At our production site in Milton Keynes, Great Britain, we have implemented different projects to improve efficiency and reduce waste. These investments have had a positive impact on the site's energy efficiency. For every kilogram of tortillas produced, we now use up to 30% less energy compared to 2017.

The most challenging aspect of the emissions reductions in our own operations comes from the use of natural gas in our factories in Belgium, Estonia, Great Britain and Russia. Our Roeselare site in Belgium represents approximately 70% of the group's car-

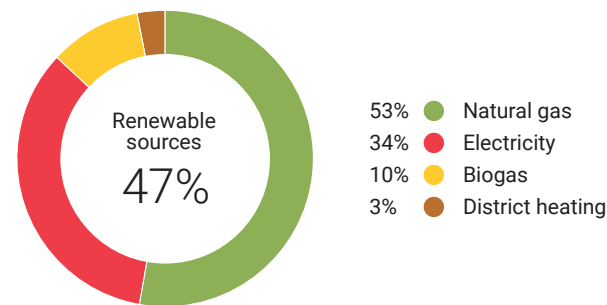
Paulig is planning to make all ten of its factories in six countries carbon neutral by 2023.



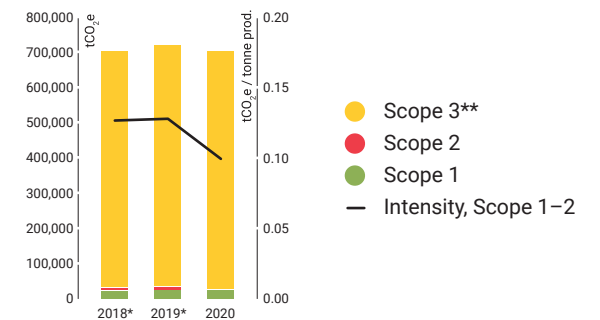
Total energy consumption and intensity



Energy consumption by source 2020



GHG emissions and intensity for Scope 1-2



* 2018-2019 adjusted based on corrections to data.
 ** More detailed scope 3 category calculation description in separate document >> [Read more](#)

bon emissions. At these locations, we are monitoring the possibilities for sourcing biogas but for the time being biogas comes with limited availability and high cost.

One major milestone on our path is already in 2023 when Paulig aims for all of its production sites to be carbon neutral. This means that any remaining GHG emissions from its sites will be offset through funding external carbon removal projects from 2023 onwards.

Calculating logistics emissions

In 2020, we took a big leap forward in calculating emissions derived from our logistics in a more detailed level.

Now, we have committed to reducing our logistics emissions by 25% by 2025. Reliable emissions data helps us build a roadmap for actions and steers our decisions in daily operations.

To reduce emissions, we are conducting route and load optimizations to increase the filling rate of trucks to avoid both unnecessary loads as well as empty running. Our focus will be in network

optimizations as by avoiding transportation we can have the best impact. We are also actively seeking alternative fuels. In Sweden, we will have the first truck operating with biogas in 2021. This will further support the Transport Initiative 2025, with the target of using only fossil-free transports in Sweden by 2025, to which we have committed together with several other Swedish food companies.

In Belgium, we are committed to the Lean and Green programme 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 within this region we have already achieved a reduction of 19% on relative emissions.

We acknowledge that we are on a journey that we cannot tackle alone. This is why we actively invite and encourage our suppliers, service providers and customers to join us on this journey. For example, we are switching to carbon-neutral pallets. Annually, Paulig transports about 1.5 million pallets of coffee, spices and food products in Europe, of which, in future, about 70 percent will be carbon-neutral pallets. The pallets are provided by our partner CHEP.

Offsetting and insetting

As there is already too much carbon dioxide in the atmosphere, in addition to reducing our emissions, we need to remove some of that excess carbon.

Paulig aims for all of its production sites to be carbon neutral by the end of 2023. This means that any remaining GHG emissions from its sites will be offset through funding external carbon removal projects.

We are developing the criteria to ensure that the chosen carbon removal projects are credible and address the risks of leakage and permanence, for example.

While building the external carbon removal portfolio, we will also start developing some insetting projects with our supply partners. We want to invest back into our own supply chains to support farmers in implementing and scaling climate-smart practices such as agroforestry or applying biochar to soil.

CASE

Carbon neutral certification for the Vuosaari roastery

In November, we took a step forward and achieved CarbonNeutral® building certification for our Vuosaari coffee roastery in Helsinki. The roastery building's emissions have been reduced by 98% since 2014, and the remaining emissions have been offset through carbon finance projects.

Paulig chose three third party validated and verified forest conservation and reforestation projects for offsetting the residual emissions: the Chocó-Darién Rainforest Conservation project in Colombia, the Rimba Raya Biodiversity Reserve project in Indonesia and the TIST Community Reforestation projects in Kenya and Uganda. Going forward, we will focus more on carbon removal projects and also continue to support forest protection projects through climate compensation, as we have been doing with our Risenta brand since 2016. Our selected projects for Risenta include Kariba Forest Protection project in Zimbabwe in addition to the mentioned projects in Indonesia and East Africa.

The roastery is our first certified carbon neutral production site. We plan to make all 10 of our factories in six countries carbon neutral by the end of 2023.





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. Our target by 2030 is that all our packages are recyclable and made from recycled or renewable materials.

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. We promote many packaging improvement initiatives simultaneously. However, at this point in time, we have chosen recyclability as our key priority.

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

CASE

Used coffee grounds are a versatile resource

During the past years, we have started several circular economy projects in the Baltics, which have shown that used coffee grounds are a versatile resource as a source of green energy or fertilizer.

Used coffee grounds are recommended as material to improve soil and provide nutrients to several plants. The National Botanic Garden of Latvia in cooperation with Paulig, is studying the impacts on soil and plant production in a scientific study on coffee grounds. Results from the first year allow us to use scientifically proven advice on how to use coffee grounds in gardening.

In Lithuania, it was the fourth year of a project initiated by Paulig, where consumers and clients collect used coffee grounds to be used in the production of green energy. The amount of energy produced yearly by the project has been approximately 18,000 kWh. In 2020, the energy was used to light up the Christmas tree in Vilnius.

In Estonia, we have led a project on collecting used coffee grounds. In two years, with the help of consumers and companies, we have collected a total of 18 tons of used coffee grounds, which have been used to produce green energy.





and tight sealing, while also developing the package to be more easily recyclable in recycling facilities in practice. 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 to consumers on how to sort them. Unified requirements and recycling practices on the EU level would help in implementing circularity and recyclable packaging development.

Paulig's packaging development has progressed in leaps and bounds in recent years. In particular, we have succeeded in cut-

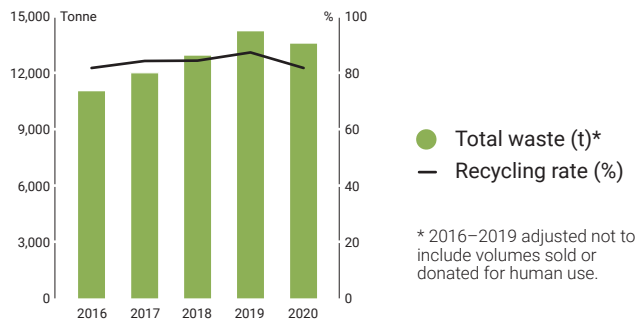
ting the carbon footprint of packaging by increasing the share of renewable raw materials, such as paper and plant-based materials, in packaging. In 2020, a new, wood-based material was introduced in our coffee package laminates. We launched a test batch of coffee packages using tall oil that is a residue of pulp production and an alternative for fossil-based raw materials. The aim is to run larger tests and, if they prove to be successful, our target is to replace so-called first generation biobased materials in coffee vacuum packs with tall oil-based material.

During 2020, we joined a VTT Technical Research Centre of Finland project in which packaging made from completely renewable raw materials is being developed. We see the importance of being involved in early-phase innovations and share our expertise, ensuring that the many requirements of food packaging are considered.

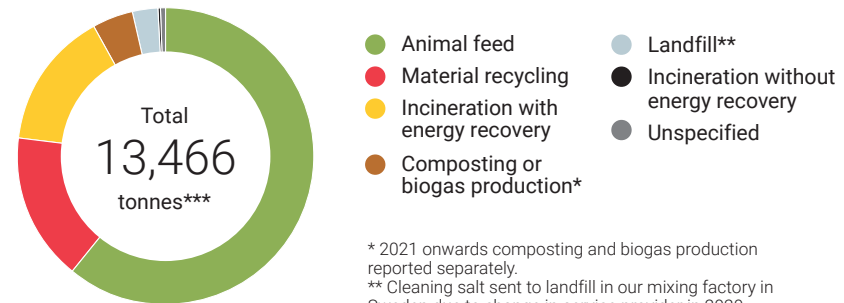
Dialogue with both our suppliers and customers is crucial. We strive to increase collaboration to align targets and criteria for packaging development. In addition to varying consumer and customer expectations, the regulatory landscape adds to the complexity. The European Union's Single-Use Plastics directive will come into effect in July 2021, but many key questions and

To reach its climate targets, Paulig investigates different alternatives for its packaging.

Total waste and recycling rate 2020



Total waste by disposal method 2020



* 2021 onwards composting and biogas production reported separately.
 ** Cleaning salt sent to landfill in our mixing factory in Sweden due to change in service provider in 2020.
 *** Not including volumes sold as II-quality or donated for human use. As a change from 2019, cleaning salt reported as per disposal method.



practicalities are still unanswered. 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.

Continuous improvement for the smart use of resources

At Paulig, we are committed to the global challenge of reducing food waste by 50% by 2030 and doing our part to minimise food loss in our own operations. We also strive for continuously improving our overall recycling rate. In 2020, the rate decreased to

82%, compared to 87% in 2019. The most important factors for the decrease are improvements in sourcing forecasting that decreases the amount of food loss and that the salt used for cleaning in our mixing factory in Sweden is sent to landfill.

It is estimated that one third of all food produced goes to waste globally. This corresponds to 1.3 billion tonnes of food. The European Commission seeks to step up action to prevent food loss and waste across the European Union, including mobilising all players in the value chain. Definitions and classifications related to food waste are yet clear and, as an international company, we need to understand local characteristics while driving harmonized monitoring internally.

CASE

Bueno – Kaffe Bueno

We actively seek new business models that promote circularity and reduce climate impacts. Paulig Incubator, PINC, invested in a Danish start-up, Kaffe Bueno, which upcycles coffee waste from Paulig's Vuosaari roastery in Helsinki into high-value ingredients for cosmetics, nutraceuticals and functional foods.

"Kaffe Bueno is a perfect fit for PINC and Paulig. We aim to support start-ups with a strategic, financial and societal impact, and Kaffe Bueno scores high on all of those," says **Marika King**, Head of PINC.

Collaboration between Kaffe Bueno and PINC started about a year ago with testing of the upcycling of ground coffee waste from Paulig's roastery. The testing period led to a business deal where Paulig is now an investor in the Kaffe Bueno business and the by-product of coffee production is used as high-value raw material.

"The power of coffee is amazing, it's much more than a beverage. Growing up in Colombia, we used it for everything: wounds, skincare, desserts, you name it," says **Juan Medina**, CEO and one of the three founders of Kaffe Bueno. "Our goal is to play an important role in the up-and-coming bio-economy by unlocking the health potential of coffee. Our pure Kaffe Bueno oil is already globally available for high-end personal care products and our versatile Kafflour is being used for healthier baking. >> [Read more](#)



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

Approximately 70% 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 animal feed, while coffee-related food loss is used for biogas production or otherwise recycled.

At our tortilla factories in Belgium and Great Britain, we have reduced food loss by utilising a share of the tortilla dough for re-grinding. The factories have achieved excellent recycling rates, 99% in Great Britain and 87% in Belgium. At our tortilla factory in Sweden, food loss has been reduced by improvements in the production process, with the share of generated food loss per produced volume decreased by 27% from 2019.

In Russia, we are running a local zero waste to landfill project with the aim of increasing waste recycling. During 2020, we contracted with new partners on recycling, implemented proper

waste sorting at all offices and raised awareness through campaigns. At our coffee roastery in Tver, Russia, together with our waste management partners, we have found new ways of recycling: coffee peels are sent to animal feed and coffee beans are used in decorative pillows. Most importantly, at Tver roastery, the recycling rate has increased to 98%.

We also use ad hoc initiatives to avoid food loss. During spring 2020, the exceptional COVID-19 situation affected the daily operations of restaurants and the circulation of our food products. To avoid food loss, we organised a pop-up store in our parking lot in Helsinki, selling the food products normally used by professional chefs. In Gothenburg, Sweden, we delivered Friday tacos to the families at Ronald McDonald House. In Russia, we shipped a total of 18 tonnes of Santa Maria products for residents in quarantine in Tver and in other regions and provided food charities with 27 tonnes of Santa Maria products to be shared among people in need.



Paulig is constantly developing its operations and **seeking new innovative solutions** to reduce food loss and waste from its own operations.

Key figures

Production volume (t)

	2016	2017	2018	2019	2020
Group total	221,331	227,390	224,935	243,864	242,846

Energy consumption by source (MWh)

	2016	2017	2018	2019	2020	CHANGE**
Natural gas	98,844	104,441	103,260	106,156	105,936	+7%
Electricity*	60,955	59,269	61,124	68,234	68,956	+13%
Bio gas	13,190	13,422	19,355	19,416	20,012	+52%
District heating	8,408	6,942	6,447	8,329	5,938	-29%
Group total	181,398	184,075	190,185	202,135	200,842	+11%
<i>Energy intensity (MWh) / tonne product</i>	<i>0.82</i>	<i>0.81</i>	<i>0.85</i>	<i>0.83</i>	<i>0.83</i>	<i>+1%</i>
Share of renewable energy		28%	30%	29%	47%	

* Includes electricity from solar panels. Starting from 2021, purchased and produced electricity will be separately reported.

** Change from 2016 to 2020

GHG emissions by scope (tCO₂e)

	2018*	2019*	2020	CHANGE**
Scope 1	21,541	23,244	22,351	+4%
Scope 2 (market-based)	6,764	7,734	728	-89%
Total (own operations)	28,305	30,978	23,079	-18%
<i>GHG intensity, tCO₂e / tonne product</i>	<i>0.126</i>	<i>0.127</i>	<i>0.095</i>	<i>-24%</i>
Scope 3***	669,614	685,196	675,354	+1%
Group total (scopes 1–3)	697,919	716,174	698,433	0%

* 2018–2019 adjusted based on corrections to data.

** Change to 2018 baseline.

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

Biogenic emissions in value chain currently being investigated and will be included in the reporting in the future.

Total waste by disposal method (t)

	2016	2017	2018	2019	2020
Sold or donated for human use	81	135	308	132	206
Animal feed	6,648	7,348	7,740	8,962	8,227
Material recycling	2,058	2,143	2,369	2,534	2,151
Incineration with energy recovery	1,771	1,779	2,116	1,761	2,013
Composting or biogas production*	315	584	578	845	615
Landfill**	153	41	23	29	369
Incineration without energy recovery	0	7	4	5	40
Unspecified	2	2	12	2	51
Total waste (t)***	10,948	11,904	12,841	14,139	13,466
Waste recycling rate (%)	82%	84%	84%	87%	82%
<i>Total waste (t) / tonne product</i>	<i>0.05</i>	<i>0.05</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>

* 2021 onwards composting and biogas production reported separately.

** Cleaning salt sent to landfill in our mixing factory in Sweden due to change in service provider in 2020.

*** 2016–2019 adjusted not to include volumes sold as II-quality or donated for human use.

As a change from 2019, cleaning salt reported as per disposal method.

Water consumption (m³)

Water management in own operations

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 is an important ingredient. Water is also used in cleaning our production lines and facilities and, although we strive to reduce our water usage, we will always consider food safety first.

At our warehouse in Belgium, we started to use rainwater for toilets in November 2020. Due to our personnel working mainly remotely, water usage at our facilities generally decreased in 2020.

	2016	2017	2018	2019	2020
Group total	121,392	115,862	122,466	133,245	128,762
<i>Water consumption (m³) / tonne product*</i>	<i>0.55</i>	<i>0.51</i>	<i>0.54</i>	<i>0.55</i>	<i>0.53</i>

* 2016–2019 adjusted based on corrections to calculation formula.

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



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.

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



AMBITION 2030

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

Road to our ambition

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 aim to extend this work to cover also other categories. To reach our 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.

During 2020, we have continued systematic mapping of our raw materials supply chain and started building tools for contract manufacturing supply chain mapping. This will also increase the transparency of our supply chains. Importantly, we have defined a roadmap to reach our ambition, including setting a strategic sustainability initiative for 2021–2023, with a focus on developing the sustainability of our spice value chains.

Paulig is a coffee industry forerunner in terms of its sourcing principles. This encourages us and paves the way to continue our work towards building supply chains that contribute to sustainable lifestyles through our product offering.

We want to be known as a fair and inclusive partner, wherever we operate. This is how we want to work as a company, customer, employer and as a corporate citizen.



Our people

At the end of 2020, we employed 2,292* professionals in 13 European countries. 47% of our employees work in direct production roles – in Finland, Sweden, Russia, Belgium, Estonia and the United Kingdom.

* Total workforce, of which 2,170 are active employees at year end.

Building winning 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.

In 2020, we completed major steps in our leadership development and performance management by creating a leadership development programme and redesigning our performance management process. We will continue developing our human resources processes and tools further as well as the training and capacity building for our employees. We will, for example, enhance the competencies of our commercial teams through the WeLearn Commercial Excellence program.

Alongside professional skills, we underline the importance of ethical and respectful behaviour in all of our operations. To support that, new anti-harassment training will be provided for all employees in 2021. Through the training, we will raise awareness of the roles and responsibilities of each person in creating a safe work environment and highlight our zero tolerance towards any kind of harassment, bullying or improper sexual conduct.

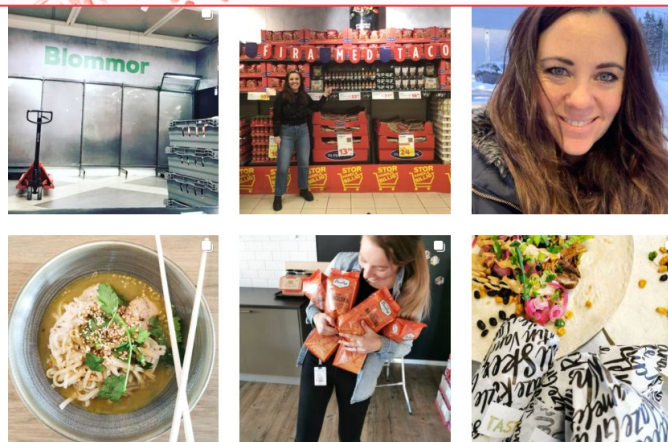
We promote equality through development and career planning so that all genders and different age groups are treated equally in different staff groups. We treat people who have reduced capacity to work equally with other candidates and employees. The implementation of these commitments is ensured by our local and group-level human resources teams through annual monitoring, discussions in work councils and, importantly, an inclusive recruitment policy. Furthermore, requirements set by local policies are followed by our human resources teams together with relevant stakeholders. Moreover, we support a healthy balance of work and family life, so that employees can balance and fulfil both their work and family responsibilities. The share of women in our Leadership team has increased to 55%, while 45%



CASE

Our people behind the @pauligflavour

In September 2020, we launched an international @pauligflavour Instagram account to show our stakeholders what it is like to work for a life full of flavour across Europe. Since the very first weeks of @pauligflavour, our employees have shared moments of their work in photos and videos. This has brought a lot of joy and given our employees a great opportunity to meet their colleagues virtually across different markets during the COVID-19 pandemic.



Our three values are:
**Stay Curious,
 Strive for Excellence
 and Grow Together.**

of all Paulig employees are women. However, the share of female managers leading a team is only 38%.

Listening carefully to our employees

Following the major organisational change we went through in 2019, we measured the pulse of the organisation four times through a Change Pulse survey in order to listen carefully to our people, especially white-collar employees who were affected by the process most, and to pay attention to friction points and act upon these issues quickly.

During the one-year period after the organisational change, we were happy to encounter a positive development in all surveyed topics. Especially encouraging was the development in the questions concerning collaboration and interdependency, where we

have taken a big leap forward. Also, the positive tone of voice in the responses has increased during the survey periods.

In autumn 2020, we launched a new employee engagement survey, OurVoice, which measures different aspects of engagement as well as strategic, safety, sustainability and leadership themes. Overall, engagement in Paulig is a very high 78 (on a 100-point scale), with an external benchmark of 75, and very close to the top in class of 81 points.

One of the distinct survey findings is that Paulig employees stand out as loyal and dedicated employees. On the basis of the internal brand reputation eNPS survey, Pauligians are also very likely to recommend working at Paulig to a friend or colleague.

Leading the Paulig way

During 2020, we started the Leading the Paulig Way programme to strengthen and develop our leadership capabilities. The programme consists of several modules covering leadership from different angles: leading oneself, leading others and leading an organisation and business.

The first module, Change & Resilience, was launched in November. The module focuses on understanding and developing individual and team resilience in change situations. For team

leaders, the content covers how to lead people in change situations and in remote circumstances. By developing resilience skills, we have better capabilities to perform and succeed in a fast-paced and continuously changing work environment.

The next module, namely Coaching & Feedback, will be launched in 2021 to build confidence in coaching as well as skills for providing feedback.

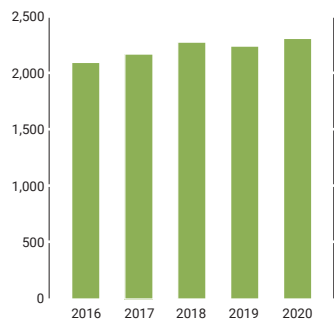
We grow – ongoing performance management

During 2020, we redesigned our performance management processes on the basis of the feedback from our leaders. Instead of having checkups three times per year, the new WeGrow process will be embedded in our day-to-day leading, with ongoing dialogue to enable feedback and coaching.

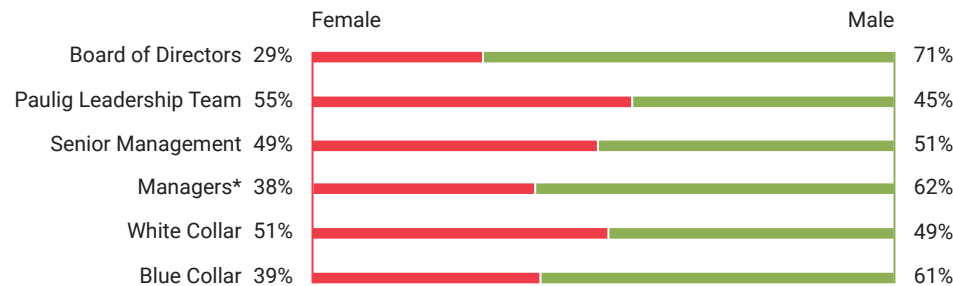
The WeGrow process is designed for our leaders to offer a framework and tools to have impactful dialogue on goals, development and performance. It will also place employees in the driver's seat of their own performance and professional development.

Through the redesigned process, we want to ensure that all Pauligians have clear and meaningful goals and expectations, get regular and timely feedback on their performance, learn and develop continuously and have the opportunity to discuss careers.

Paulig personnel 2016–2020

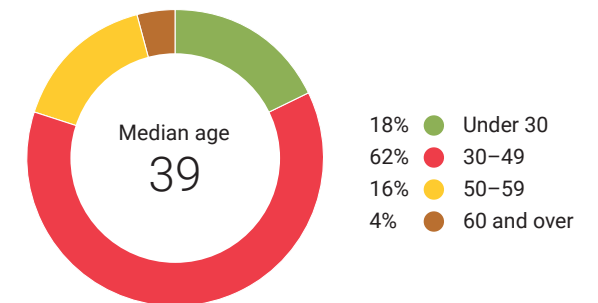


Gender by position 2020



* Managers leading a team

Age groups 2020



CASE

Among millions of volunteers in a green wave of cleanups

On September 19, we joined millions of volunteers in a 24-hour World Cleanup Day in several countries. With our teams and individuals, we contributed to a global effort to clean up waste from public spaces and nature. This time, the focus was tackling cigarette butt pollution. Cigarette butts are non-biodegradable and toxic, yet very common waste. Through actions like this that draw attention to the well-being of the planet, we can show our commitment to sustainability.



CASE

Adjusting during a crisis

Barnaby MacAdam works as Taste Creator in our Great Britain team, interacting and collaborating closely with our food service customers. As we know, the market was very much affected by the pandemic and visits to customers have been restricted. Luckily, Pauligians are creative. Barnaby's job description changed temporarily to adapt to the new situation.

"My normal role is very much customer focused. I'd often visit different sites and wholesalers to demonstrate products and concepts. These places were completely closed for business currently, so clearly this wasn't an option," Barnaby explains.

"I took on a number of projects to work on from home. These included an innovation clinic where we looked at opportunities, both big and small, in the market. I also developed a training programme for the team."

During the year, Barnaby and his team also introduced the use of video and live stream demonstrations to customers. Chefs and wholesale teams were invited through these virtual events to learn about our products.

We will certainly take what we've learned with us and go forward with new skills and ideas. As Barnaby puts it: "As a business, this has provided us with the opportunity to actually become stronger. This will involve different ways of working and thought patterns, but it can actually be for the benefit of everyone."



COVID-19: Leading globally and caring locally

The safety of our employees and partners always comes first. Throughout the exceptional year, our goal was to keep our factories and supply chain running safely to ensure that our products are available to customers and consumers.

Our COVID-19 actions were led globally by a Corona Core Team and all the guidelines were set and decisions made on the basis of the guidance given by the World Health Organization and local authorities, and implemented locally by country-specific teams.

On the local level, we worked to support our employees at the factories to keep our production sites running.

In most countries where we have operations, we recommended that office workers work from home. However, we recognised the different needs of our workforce and made working at our of-

fices as safe as possible.

Paulig employees adjusted to the hybrid working models and there were local virtual initiatives to support wellbeing. As a thank you for the great effort during the challenging year, all Paulig employees were given two extra days of holiday.

Giving back to society

We have not only cared for our own employees but also for those around us and especially for those putting their own lives at risk. For instance, we have supported the important work of health care personnel in many of our operating countries by delivering tasty coffee or food to give some energy during long working days. We have also delivered protective equipment to health care officials in Gothenburg. Also, often through charities, we delivered food to people in need in Russia, Estonia, Sweden and Finland.

CASE

Talents from around the World!

Gold&Green's team consists of a passionate group of people with diverse backgrounds and a common mission: to make a change, one meal at a time.

From the very beginning, the team has been made up of all kinds of professionals from diverse backgrounds. The team is very multicultural, with the 70 employees representing no less than 18 nationalities. This is incredibly valuable, as diversity and inclusion help us see things from various perspectives and it improves the company's ability to create world-class innovations and enter new markets.



Healthy and safe workplace

The health and safety of employees is of great importance to us. We want everyone to come to work and leave for home safely. When it comes to improving safety and averting risks, a proactive and preventative approach is the most relevant tool. This includes, for example, continually increasing our employees' safety awareness, assessing and observing risks systematically as well as inspecting and auditing our safety practices. Safety performance is monitored monthly in Group Leadership Team meetings.

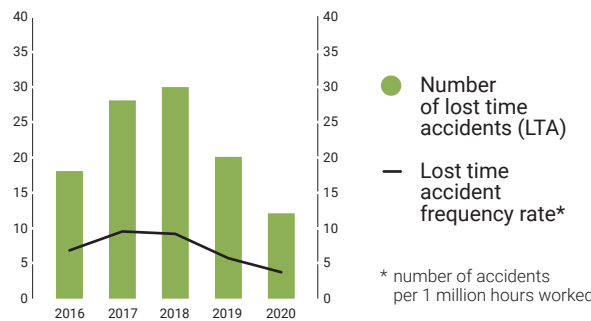
Safe behaviour

All Paulig sites have a systematic approach to safety management aligned with the requirements of the ISO 45001 standard. In 2020, among other things, we reviewed our health and safety definitions, developed common methods for risk assessment and harmonised our processes for incident management at all production sites.

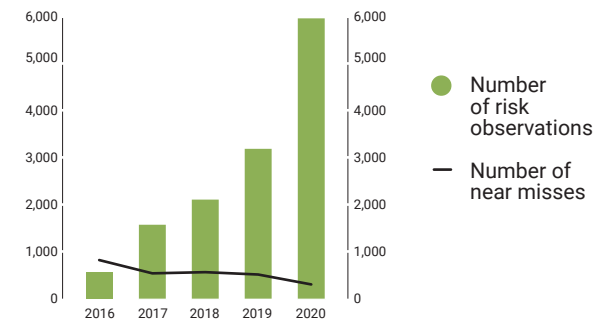
We continued to participate in the University of Tampere's research project "Safe Potential". The project addresses the utilisation of performance information in safety management aiming to provide supportive tools for continuous evaluation of occupational



Lost time accidents and frequency



Risk observations and near misses



safety and the implementation of safety management strategies.

We are happy about the positive trend in the health and safety of our employees. In 2020, the number of accidents and near misses decreased, and the lost time accidents frequency rate decreased by 37%. These achievements are due to increased awareness and the preventive measures we have commonly taken. For example, after we encouraged the reporting of risk observations, we saw an increase of 88% 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 2021, we will continue to roll out the harmonised processes and further develop our safety programme.

YES, We Care!

We want to have a common safety culture to ensure a safe and healthy workplace for all. This involves all of us working together to create a safe workplace. To support that, we relaunched our

safety culture programme YES, We Care in April 2020. The programme deploys approximately 30 specialists representing different functions of the organisation to be able to reach all parts of Paulig and by that creating a strong foundation for our safety culture to build on.

The building blocks of our safety culture include systematic processes and ways of working, risk and hazard elimination, leadership and commitment, competence development as well as communication. In addition, we encourage all Pauligians to be safety ambassadors and contribute to making Paulig a safer workplace.

As part of the YES, We Care! programme, we launched nine Safety Rules for everybody to follow at all of our sites. To familiarise everybody with the safety rules, mandatory e-learning for all of our employees was developed with realistic cases from our field. Every Paulig employee, as well as every external worker who comes to work at one of our Paulig sites, must complete the training and commit to our common rules.



The aim of the Safety Culture programme is:

Zero accidents:
all employees come to work and leave safely

Safe workplace:
all employees and leaders contribute to a safe and healthy workplace

BEHAVE SAFELY	COMMUNICATE SAFELY
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
<div style="background-color: #FFD700; color: white; padding: 5px; text-align: center;"> OPERATE SAFELY </div> <ul style="list-style-type: none"> <li style="width: 33%; padding: 5px;"> I always follow the locking procedures and never intervene in a working machine or bridge a machine safety <li style="width: 33%; padding: 5px;"> I watch out for danger of falling, sliding and tripping <li style="width: 33%; padding: 5px;"> I always wear relevant PPEs and use the right tools and equipment in the intended way 	





Driving sustainability in the value chains

With more than 680 direct and 5,500 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 sources, representing more than 70% of the total high-risk country share. We source both raw materials and traded goods and partner with various service and logistics providers. Our purchasing spend in 2020 was roughly EUR 700 million, the share of raw and packaging materials being approximately EUR 380 million. Our most important countries of origin by spend are Belgium (raw materials, traded goods and packaging materials), Brazil (green coffee), Colombia (green coffee), Sweden (traded goods and packaging materials) and the Netherlands (raw materials).

This means that, 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 impacts are in our value chain, it is vital that we ensure the mitigating activities and development programmes also take place there. We cannot stress enough the importance of open dialogue and collaboration with our partners and suppliers and implementing 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.

* based on 2019 supplier and spend data

Sustainable sourcing of spices

We continuously develop our ways of working to further sustainable farming and responsible sourcing practices, and one of our focus areas for 2021–2023 is developing spice value chains. Approximately 60%* of 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.

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. We have prioritised these efforts in spices sourcing category based on risk and volume impact, we identified and selected spices – including black pepper – to start with. We are in a process of creating detailed, spice-specific roadmaps together with our strategic suppliers based on selected standards and plan for the external verifications. At the same time, we continue to develop mid-term roadmaps for the whole category and build a model for tracking our progress.

We continue to collaborate with other industry representatives in the Sustainable Spices Initiative and among the amfori BSCI community, promoting industry-level initiatives and mutual learning.

* based on 2019 supplier and spend data

Sustainability Champions driving change

Within our sourcing function, a Sustainability Champions programme was started in 2020. The purpose of the programme is to ensure the execution of our Sustainability Approach in our own sourcing function and with our suppliers. The nominated Sustainability Champions coach colleagues in sustainability topics and participate and contribute to strategic sustainability initiatives.

Respect for human rights stems, first and foremost, from will and values. However, transformation and progress require comprehensive and sustained development work. We are committed to that.

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

Our internal experts provide them with training on, for example, climate and human rights issues.

Close collaboration and open dialogue with our suppliers make it possible to secure and develop the sustainability of our supply chain. Our sourcing experts play a fundamental role in creating, building and maintaining trustworthy relationships with our suppliers. The Sustainability Champions scout supplier capabilities and make sure we have the right suppliers to reach our sustainability ambitions.

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 in-

tervals. During 2020, we were able to introduce the utilisation of the amfori platform in our supplier approval process.

During 2020, we continued the harmonisation of processes across our sourcing categories. This work comprises, for example, developing common risk assessments, and the supplier life-cycle management process, including supplier approval and development. In 2020, we finalised and implemented the harmonised new process for supplier approval, including renewed supplier questionnaires and risk grading criteria. Also, a guideline for conducting virtual audits was developed during 2020.

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. Besides setting demands for our suppliers, we support and encourage them to continuously improve their operations and realise the benefits of responsible practices in their own

business. We also have various suppliers from whom we can learn and develop ourselves. We will review and update the Paulig Code of Conduct for Suppliers during 2021 to ensure it efficiently supports our ambitions and meets the expectations set by our stakeholders, including our customers and regulatory authorities.

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 membership in amfori has an important role in enabling these. We are currently mapping the current status of external verifications for raw materials coming from high-risk countries. Certification is also a way to verify sustainable sourcing and, for example, the majority of our coffee is certified.

We audit our direct high-risk suppliers regularly, using both audits performed by our own employees and third-party auditors.

Supply chain development through amfori

Paulig became a member of amfori, the world's leading sustainability initiative in April 2020. amfori has nearly 2,500 members in over 40 countries, and the combined turnover of the member companies is over EUR 1 trillion. The membership will support, in particular, the comprehensive development of the sustainability of our supply chain on a global level and reaching our target of having 100% of the raw materials from high-risk areas externally verified by 2030. Furthermore, through amfori, we can influence global decision-making and effectively promote well-being throughout the supply chain.

[>>> Read more](#)



Through this combination, we aim to bring a diversity of views and build competencies in understanding the challenges in our supply chain as well as to learn about and identify the opportunities for development.

Due to travel restrictions, we could not conduct any of the planned sustainability audits by our own employees in 2020. We assess the supplier-specific risks and opportunities based on supplier questionnaires that are renewed every three years. We are also currently mapping third party audits conducted on our suppliers to have a full picture of the coverage. Currently, our own audits cover 63%* 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 au-

dit's receive two days internal training on the topics covered in the Code of Conduct, audit process and the tools to be used before, during and after the audit. Our auditors complete an SA8000 auditor course once they have gained experience as an observer of audits. During 2021, our auditors and other sourcing and sustainability specialists will receive capacity building on amfori's working methods and tools to encourage fully leveraging the membership.

We will continue with the independent verification body FLOCERT as our auditing partner for our partnership programmes. However, due to the travel restrictions, no audits were performed during 2020. The cooperation with FLOCERT began in 2019 when it developed a framework for the verification of the Paulig coffee partnership programmes. The verification scheme consists of two parts to assess both the implementation of the Paulig Code of Conduct and the overall success of the programmes to drive development.

* Coverage calculated on the basis of 2019 supplier data.

Human rights at focus

The promotion of human rights has become increasingly topical for companies as it is an issue that concerns us all. The most important thing in this work is the will to do the right thing, the courage to see and identify the various challenges and risks, and the skill to lead goal-oriented human rights work through concrete actions. We support and call for an EU-level human rights due diligence regulation for all businesses, regardless of size or sector.

Paulig was selected in the SIHTI (Status of Human Rights Performance of Finnish Companies) research that was conducted in 2020, and the results were published in January 2021. The purpose of SIHTI study was to obtain a comprehensive and in-depth overview of how Finnish companies are fulfilling their human rights responsibility, i.e. how they have implemented the UN Guiding Principles on Business and Human Rights. The study was based on publicly available information and the methodology developed by Corporate Human Rights Benchmark (CHRB).

Paulig scored 25.6% out of the maximum of 100%. This is a typical result for companies assessed against the benchmark for the first time. In the global comparison of the agricultural products sector, we had an above average performance in acknowledging human rights, implementing policies into processes as well as noticing and mitigating the essential human rights risks. We also scored well in embedding Respect and Human Rights Due Diligence.

The study also highlighted the necessary development areas for us. The result indicates that we have made the right choice to further develop our human rights management model, which we plan to start during 2021.

CASE

Finding suppliers that share our values and goals

In 2020, we started cooperation with a new supplier who provides us with organic quinoa. Solid Food is a social enterprise that produces quinoa on the slopes of the Peruvian Andes. It works directly with 500 quinoa farmers in Peru, guaranteeing full traceability. Solid Food also supports local farmers in improving their living conditions by providing training and technical assistance. These are goals that Paulig has also set.

The benefits of our membership in the amfori network were also tested and proved to be beneficial. According to Peter Linell, our Sourcing Manager, the supplier approval process went smoothly as we were able to utilise the results of the amfori BSCI audit through the platform during the process.

Mutual understanding of the ethical and sustainability aspects and a common commitment to tackling the challenges create the foundations for our co-operation. By choosing the right partners, we can create an impact bigger than our size.



Photo: Isabel Corthier / Solid Food

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. 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.

In September 2020, we published news of a EUR 45 million investment in a new production facility in Roeselare, Belgium. The overall climate impacts will be considered when the new factory is being built and production is expected to start in spring 2022. We believe the investment is also important for the Roeselare area, where Paulig currently employs about 700 people.

Our tax payments

In 2020, the direct income taxes paid by Paulig were EUR 20 million, of which approximately 52% was paid in Finland, 32% in Belgium and the rest in the other countries in which we operate.

Paulig announced a EUR 45 million investment into a new tortilla production facility in Roeselare, Belgium.

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. At Paulig, we pay and collect these taxes according to the applicable rules and regulations. Payroll-related tax payments and VAT constitute the largest part of our tax footprint.

About our tax policy

We are committed to following the tax regulations and paying all relevant direct, indirect and other taxes according to the applicable tax legislation in all the countries in which we operate. Business models are based on commercial reasons and taxes are

Our value chain





Photo: Save the Children/GCCU

Our economic value creation and distribution 2020, MEUR



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.

Our community investments

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. 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, who are simply crucial for our success. Furthermore, children and young people have al-

Most of our coffee beans come from small family businesses, which are threatened by circumstances such as climate change and a lack of sufficient livelihood.

ways been at the heart of our initiatives. We want to contribute to the wellbeing of future generations. The COVID-19 pandemic has only highlighted the importance of long-term investments among the communities within our value chain.

Partnerships for global reach

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 a coffee partnership programmes in 12 countries, in co-operation with International Coffee Partners (ICP), Coffee & Climate initiative, Fairtrade and coffee export companies.

Through the ICP, we finance multiple projects that contribute to establishing a fair and sustainable coffee sector in all coffee producing regions and countries. In addition to providing financial support, we are an active member in the steering group, giving input to setting the strategy and defining the actions for the projects. Current projects are taking place in Honduras, Brazil, Ethiopia, Uganda, Tanzania and Indonesia. The projects cover the sharing of best farming practices, climate change adaptation and gender equality promotion.

Paulig works in long-term cooperation with selected farmer communities and export companies. The right suppliers, with whom we share values and ambitions, allow us to have an outreach bigger than our size. Mutual commitment allows long-term targets and Paulig participates actively in the planning work, and is also a link between coffee producers and consumers.

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

At the heart of these initiatives is the aim to promote sustainable and profitable coffee growing; 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, we have also supported the launch of a microfinancing institution to provide financing for the purchase of, for example, fertilizers.

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. Through these initiatives, Seeds for

Progress strives to create opportunities that will enhance the quality of life for the students, teachers, and their families.

We work with our supplier ECOM, a global green coffee supplier, in Colombia to improve the livelihoods of farmers in Santander. The year 2020 saw the start of a collaborative project focusing on the building of wastewater treatment systems and developing health and safety management practices. The planned activities have been implemented successfully despite the pandemic; however, some modifications were required, such as training events were replaced by farm-to-farm visits.

Together with Coffee Ithaka, a global 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 the project has also financed building of two maize mills and local school renovation

for the farmer communities.

In Ethiopia, together with Fairtrade and the Ministry of Foreign Affairs of Finland, we participate in a sustainable coffee value chain project that stretches to the end of 2021. The project involves 28 primary cooperatives with 52,000 smallholder members in the Sidama, Yirgacheffe and Bench Maji regions. In addition to targeting the increase in productivity and improving the quality of coffee, one of the focal themes for the project is dignity for all. The project has investigated factors that limit inclusivity in coffee cultivation and production to better consider and allow diversity and disabilities.

Together with our partner Save the Children, we have worked for more than three years among the chili growing villages in India. Based on an extensive background study, a comprehensive, multi-stakeholder approach was adopted to support the children seasonally involved in spice cultivation and ensures they enroll in

Through the long-term sustainability work in the coffee value chain, Paulig has been able to contribute to the livelihoods of more than 100,000 coffee farmers in the origin countries.

A Save the Children trained teacher educates Grade 7 students in English studies through storytelling in a small rural village in Andhra Pradesh in southern India.

Photo: Save the Children/GCCU



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



and finish school. In year three of the project, 1,274 children were enrolled in schools. Children's vulnerabilities were addressed by strengthening community-based structures, while simultaneously working with schools to create an efficient, welcoming learning environment, including providing training for a total of 117 teachers in child-sensitive pedagogy and children's rights.

Capacity building was also provided for other stakeholders, including parents. An important aspect has been that Paulig's supplier partner Jayanti has been providing training programmes and technical support on enhancing the yields in a sustainable way. During the three years, the project has reached children, and communities at large, in 30 villages in the Guntur district.

COVID-19 has had severe implications in the region, including the closure of schools, restricted mobility and, importantly, the risk of contracting the virus. We will continue our collaboration with Save the Children and provide support to the villages to ensure the gained results are not completely lost due to the effects of COVID-19.

Local support

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.

In Russia, we have for many years collaborated with the students of two schools in the Tver region. In 2020, the activities

were organised around the topics of health and wellbeing and circularity. In Estonia, Paulig continues to support Haiba Children's Home. During 2020, green electricity produced from used coffee grounds at the Vinni biogas plant was donated to the Haiba Children's Home, and a tasty taco lunch served to the residents.

In 2019, we started as the main partner for the SOS Children's Villages charity in Finland. SOS Children's Village works with some of the most vulnerable children and young people and offers support to families in Finland and around the world. Our annual contribution goes into investments in new homes that can flexibly provide accommodation, therapeutic support for children as well as funding for other activities, such as hobbies. During 2020, our additional donation was channelled to support Apuu chat, which provides easy access to help for children. Furthermore, we guaranteed some Christmas spirit for both the children and our employees by organising a Christmas gift collection for SOS Children's Villages. In Sweden, the Christmas Spice campaign donated for charity Giving People to support children and families living in poverty.

In Latvia, Paulig employees created online workshops in which children from SOS Children Villages could participate to learn new skills and meet new people. Through this initiative, we were able to give the children a safe break from their routines during the pandemic.

Paulig employees joined SOS Children Villages "Giving Tuesday" worldwide movement in Latvia.

Key figures

Health & Safety

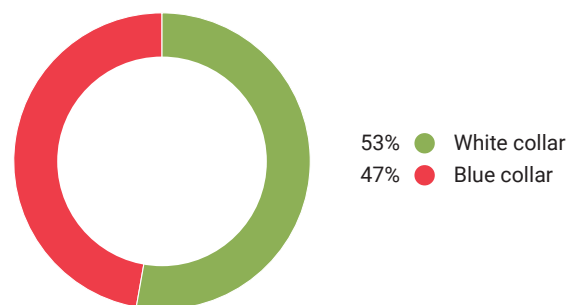
	2016	2017	2018	2019	2020
Number of Lost Time Accidents (LTA)	18	28	30	20	12
Lost Time Accident Frequency rate*	6.7	9.4	9.1	5.6	3.6
Number of Lost Time Days (LTD)	390	279	225	292	175
Number of near misses	820	537	560	512	300
Number of risk observations	546	1,556	2,091	3,170	5,946

* number of accidents per 1 million hours worked
 We do not continue reporting Lost Time Day Severity rate or Number of accidents without lost days.
 These indicators are not representative or not monitored internally.
 Reported figures cover all Paulig employees. Contractor LTAs are monitored but not reported.

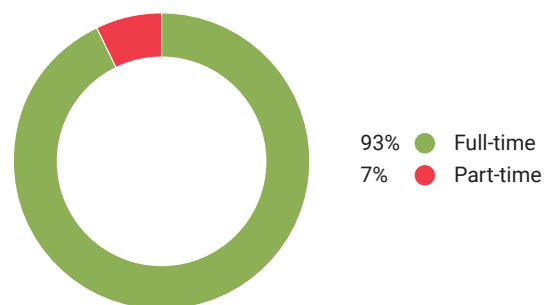
Personnel

Figures as per 31.12.2020.

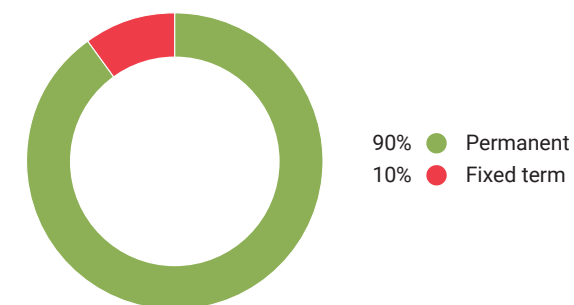
Personnel groups



Employment type



Employment contract



Reporting principles

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 contents of the report and the selected indicators follow the Paulig Sustainability Approach 2030.

Indicator-specific boundaries are stated separately if rele-

vant. Health and safety and environmental figures (incl. waste GHG emissions, energy use and water) are reported for our production sites, warehouses and material office facilities. We discontinue reporting Lost time day severity rate or Number of accidents without lost days. These indicators are not representative and not monitored internally.

During 2020, we have reviewed and further developed our environmental reporting processes and definitions, including revising

the baseline calculations for Scope 3 GHG emissions, 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.

The move of the mixing factory from Rotebro to the spice factory in Mölndal was completed in June 2020. Rotebro factory figures were reported separately until May 2020 and after that, included in the Mölndal figures.

GRI-table

102 – GENERAL DISCLOSURES				Page
Organisational profile				
102	1–7	Paulig as a company; size, business, ownership and structure		4–5; 63
102	8	Employees and other workers		5; 48–49; 60
102	9	Supply chain		37; 53
102	10	Significant changes to the organization and its supply chain		10; 64
102	11	Precautionary approach		53
102	12	Commitment to external initiatives		15; 18; 24; 37–38; 43; 54
102	13	Membership of associations		24; 62
Strategy				
102	14	Statements from senior decision-makers		6–7; 19
102	15	Key impacts, risks and opportunities		17; 21; 25–26
Ethics and integrity				
102	16	Values, principles, standards, and norms of behavior		4; 21
102	17	Mechanisms for advice and concerns about ethics		21
Governance				
102	18	Governance structure		63
102	20	Executive-level responsibility for economic, environmental, and social topics		20
102	22–23	Composition and the chair of the highest governance body		63; 71–72
102	26	Role of highest governance body in setting purpose, values, and strategy		20
102	31	Review of economic, environmental, and social topics		20
Stakeholder engagement				
102	40	Paulig's stakeholders		22
102	42–44	Stakeholder engagement		22–24; 37; 49; 54; 57–59

Reporting practice				Page
102	45	Entities included in the financial statements		13
102	46–47	Report content and material topics		13; 17–18
102	48–52	Changes and information about the report		13; 61
102	53	Contact point for questions regarding the report		13
102	54–55	GRI-reporting		13; 61–62

103 – MANAGEMENT APPROACH			
103	1–2	The management approach of material topics	17–18; 20–21; 25; 32; 34

200 – ECONOMIC			
Economic performance			
201	1	Direct economic value generated and distributed	57
201	2	Financial implications and other risks and opportunities due to climate change	25–26
Indirect economic impact			
203	1	Infrastructure investments and services supported	58
203	2	Significant indirect economic impacts	56–58
Anti-corruption			
205	2	Communication and training about anti-corruption policies and procedures	12
Tax			
207	1	Approach to tax	56–57
207	4	Country-by-country tax reporting	56–57

300 – ENVIRONMENTAL				Page
Energy				
302	1	Energy consumption within the organization		39; 45
302	3	Energy intensity		39; 45
302	4	Reduction of energy consumption		38–39
Water				
303	5	Water consumption		45
Emissions				
305	1	Direct GHG emissions (Scope 1)		39; 45
305	2	Energy indirect GHG emissions (Scope 2)		39; 45
305	3	Other indirect GHG emissions (Scope 3)		39; 45
305	4	GHG emissions intensity		39; 45
305	5	Reduction of GHG emissions		37–38; 40
Waste				
306	1	Waste generation and significant waste-related impacts		41–42
306	2	Management of significant waste-related impacts		41–43
306	3	Waste generated		42; 44–45
306	4	Waste diverted from disposal		41–42; 45
306	5	Waste directed to disposal		42; 45
Supplier environmental assessment				
308	1	Suppliers that were screened using environmental criteria		53

400 – SOCIAL			
Occupational health and safety			
403	1	Occupational health and safety management system	51
403	2	Hazard identification, risk assessment, and incident investigation	51–52
403	4	Worker participation, consultation, and communication on occupational health and safety	52
403	6	Promotion of worker health	50; 52
403	7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	58
403	8	Workers covered by an occupational health and safety management system	51
403	9	Work-related injuries	51; 60
Training and education			
404	2	Programs for upgrading employee skills and transition assistance programs	48–49
404	3	Percentage of employees receiving regular performance and career development reviews	49

Diversity and equal opportunity				Page
405	1	Diversity of governance bodies and employees		5; 48–49; 51
Non-discrimination				
406	1	Non-discrimination and corrective actions taken		48
Human rights assessment				
412	1	Operations that have been subject to human rights reviews or impact assessments		54
412	2	Employee training on human rights policies or procedures		53–55
Local communities				
413	1	Operations with local community engagement, impact assessments, and development programs		26; 55; 57–59
Supplier social assessment				
414	1	Suppliers that were screened using social criteria		53
Customer health and safety				
416	1	Assessment of the health and safety impacts of products		28–30; 32–33
416	2	Incidents of non-compliance concerning the health and safety impacts of products		33

FOOD PROCESSING SECTOR SPECIFIC DISCLOSURES

FP	1	Purchases from suppliers compliant with company's sourcing policy	53–54
FP	2	Purchases verified with responsible production standards	32; 53
FP	5	Production manufactured in sites certified by food safety management system standards	32; 34
FP	6	Products that are lowered in saturated fat, and added salt/sugar	30

We participated in the work of the following industry organizations 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)
- amfori
- Coffee & Climate (ICP initiative)
- European Coffee Federation (ECF)
- European Spice Association (ESA)
- Finnish Business & Society (FIBS ry)
- Institute for Scientific Information on Coffee (ISIC)
- International Coffee Partners GMBH (ICP)
- Roundtable for Sustainable palm oil (RSPO)
- Sustainable Spices Initiative (SSI)
- Swedish Flavour and Spice Association (Arom & Krydd Föreningen)
- Vastutustundliku Ettevõtlike Foorum

Corporate governance

Paulig Ltd, the parent company of Paulig Group, is a Finnish family-owned company incorporated under the 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 members of the Board 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 remunerations of the Group management. The Board undertakes regular reviews of its own activities and of its cooperation with the management.

Meetings

In 2020, the Board convened six 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 members of the Board 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 2020

In 2020, Paulig Group's revenue was EUR 919.5 million (921.4 in 2019), a decrease of 0.2 per cent on the previous year. The Group's operating profit was EUR 88.3 million (75.4), which was 9.6 per cent (8.2) of net sales. Paulig Group employed 2 160 people on average during the year (2 115).

Changes in the Group structure during the financial year

The following changes took place in the Group's structure in 2020:

- Paulig Coffee Norway AS was merged with Santa Maria Norge AS
- Santa Maria Finland Ltd was merged with Gustav Paulig Ltd

Revenue

In 2020, Paulig Group's revenue was EUR 919.5 million (921.4), a decrease of 0.2 per cent on the previous year. The COVID-19 pandemic had a significant negative impact to the revenue in the Out of Home channel but it was partially compensated by the growth in the retail channel.

Of Paulig Group's total revenue of EUR 919.5 million, 53 per cent came from the Nordic countries and 47 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 31 per cent, East 6 per cent and Other 1 per cent.

Result for the financial year

The Group's operating profit was EUR 88.3 million (75.4), and its ratio to net sales was 9.6 per cent (8.2).

The consolidated result for the financial year, EUR 66.7 million (51.6) included EUR 8.6 million profit (15.1) from real estate sales associated with the sale of land areas in Vuosaari. Depreciation and impairment totalled EUR 49.6 million (61.8). The associated company's (Fuchs Group) contribution to the consolidated result was EUR 8.7 million (-1.7).

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 117.3 million (103.2). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year totalled EUR 36.7 million (31.3). The most significant investments were related to the production in Belgium and in the UK.

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 princi-

REVENUE (MEUR)

	2020	2019	CHANGE
Finland & Baltics	285.0	301.7	-5.5%
Scandinavia & Central Europe	283.2	276.6	2.4%
Customer Brands	286.2	267.4	7.0%
East	54.9	62.6	-12.3%
Other	10.2	13.0	-21.5%
Total	919.5	921.4	-0.2%

KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2020	2019	2018
Revenue, MEUR	919.5	921.4	908.2
Other income, MEUR	9.8	16.1	1.4
Share of results in associated companies, MEUR	8.7	-1.7	1.3
Operating profit, MEUR	88.3	75.4	73.9
Operating profit, % of net sales	9.6	8.2	8.1
Operating profit before depreciation, amortization and impairment, MEUR	134.0	137.2	117.4
Profit for the financial year, MEUR	66.7	51.6	54.3
Shareholders' equity, MEUR	691.1	649.2	620.7
Return on equity, %	10.0	8.1	8.9
Equity ratio, %	63.9	64.0	64.4
Cash and short-term deposits, MEUR	83.1	80.6	61.3
Interest-bearing liabilities, MEUR	122.0	118.3	125.5
Investments during the financial year, MEUR	36.7	31.3	29.3

pal 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 45 persons from the previous year. The majority of the Group's 2 160 employees on average were employed in Belgium (31 per cent), Sweden (22 per cent) and Finland (20 per cent).

PERSONNEL

	2020	2019	2018
Average number of employees	2 160	2 115	2 140
Employee benefit expenses, MEUR	137.1	132.4	128.5

Innovation and product development

Paulig's Marketing & 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 Paulig introduced several new products to the market under the Group's various brands.

Paulig City Coffee series was supported with number of

launches including Café Reykjavik, Presidentti family was changed as UTZ certified and extended with a Ruby variant in Russia. Presidentti Ruby will be introduced in Finland during 2021. Paulig Frezza cold drinks' product family was extended with a limited-edition flavor of Black Toffee. Under the Poco Loco brand new flavours were added to the Tortilla Chips and new Wraps and Dinner kits were launched. The Risenta brand was updated and relaunched in Sweden. Gold&Green launched Deli Oats: a new type of ready-to-use delicious plant-based protein, made using a marinating process from raw materials familiar from Pulled Oats. Santa Maria product range was further developed with the focus on new innovations such as Next Mex that will be launched in the beginning of 2021.

Value engineering and production process optimization 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, Kaffe Bueno and Mirai Foods. Kaffe Bueno is a Danish company that upcycles coffee waste into ingredients for cosmetics, nutraceuticals and functional foods. Mirai Foods is a Swiss company that develops commercial products of cultivated meat.

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 prioritized 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.

Implementation of the approach was started across Paulig in

2020 and the sustainability roadmap including strategic sustainability initiatives for 2021–2023 was approved by the Board of Directors in June 2020.

As a food and beverage company, product safety and quality are focal issues for Paulig. Paulig continuously develops its processes and ways of working to ensure respect for human rights both in our own operations and throughout the value chain. In April 2020, Paulig became a member of amfori and has publicly called for EU-wide mandatory human rights and environmental due diligence legislation.

Climate change is the most significant long term sustainability risk for Paulig. Paulig's biggest impacts on climate are within the value chain. Climate related risks and impacts are mitigated through the general risk management and the sustainability approach. In July 2020, the Science Based Targets Initiative approved Paulig's climate targets that are aligned with a 1.5°C pathway.

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 six members: Jukka Moisio (Chairman), Mathias Bergman, Christian Köhler, Eduard Paulig, Petra Teräsaho and Christina Wergens.

Mathias Bergman, Petra Teräsaho and Christina Wergens were elected as new Board members in April 2020. Sanna Suvanto-Harsaae, Robin Hallberg and Jon Sundén resigned from the Board in April 2020, and Harri Pulli in May 2020.

Peter Rikberg was elected as the observer of the Board and Jessica Jungell-Michelsson resigned from this role in April 2020.

The Group's CEO is Rolf Ladau.

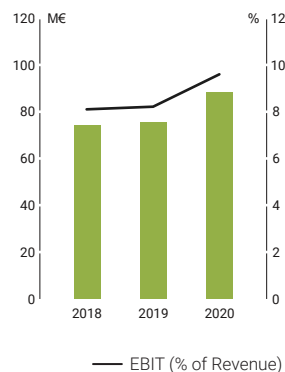
The Group's auditor has been Ernst & Young Oy, with Authorised Public Accountant Bengt Nyholm as the principal auditor.

Shares

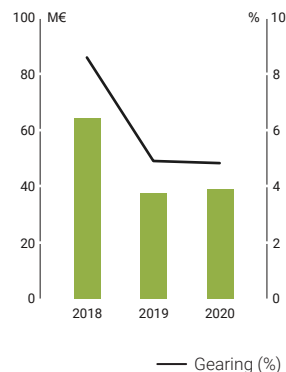
The company's stock is divided into A shares (487 765 shares) and B shares (15 000 shares), total 502 765 shares. There were no changes in this during the financial year.

The Articles of Association contain restrictions specific to

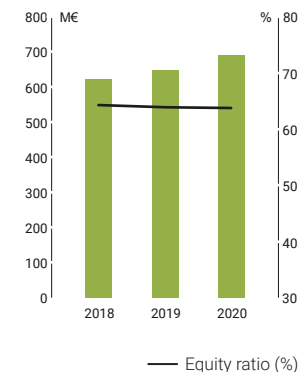
EBIT



Net debt



Shareholders' equity



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 66 682 504.22. The parent company's distributable shareholders' equity was EUR 183 424 145.30 according to the financial statements on 31 December 2020. The Board of Directors proposes that a dividend of EUR 41.80 per share be paid, amounting to EUR 21 015 577.00 in total. The parent company's distributable shareholders' equity would then be EUR 162 408 568.30.

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 and net result are expected to moderately increase in 2021 from the previous year. The company continues monitoring the COVID-19 pandemic closely and proactively takes measures concerning its possible implications to the business.

Events following the end of the financial year

The processes for merging Paulig Coffee Sweden AB and Risenta AB with Santa Maria AB have been started and the mergers are expected to be completed during 2021. There have been no other significant events following the end of the financial year.

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



Financial information

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



Consolidated Statement of Comprehensive Income

EUR 1 000	2020	2019	EUR 1 000	2020	2019
Revenue	919 532	921 392	Other comprehensive income (OCI)		
Other operating income	9 762	16 060	Items that may be reclassified to profit or loss in subsequent periods		
Materials and services	-489 964	-501 733	Foreign currency translation difference	3 330	-1 019
Employee benefit expenses	-137 094	-132 389	Change in fair value of hedging instruments	-581	2 262
Depreciation, amortisation and impairment losses	-49 555	-61 846	Items that will not be subsequently reclassified to profit or loss		
Other operating expenses	-173 167	-164 469	Actuarial gains and losses from defined benefit plans	-1 550	-4 885
Share of result in associated companies	8 750	-1 657	Changes in fair value of equity investments through OCI	1 451	1 012
Operating profit	88 264	75 358	Tax effect	110	881
Financial income	10 108	8 426	Other comprehensive income (-loss), net of tax	2 760	-1 749
Financial expenses	-11 630	-11 939	Total comprehensive income (-loss) for the year	69 442	49 867
Net financial expenses	-1 522	-3 513			
Profit (-loss) before taxes	86 743	71 845	Profit for the financial year attributable to		
Income taxes	-20 060	-20 229	Owners of the parent company	66 683	55 381
Profit (-loss) for the financial year	66 683	51 616	Non-controlling interest	0	-3 765
				66 683	51 616
			Total comprehensive income for the year attributable to		
			Owners of the parent company	69 442	53 632
			Non-controlling interest	0	-3 765
				69 442	49 867

Consolidated Statement of Financial Position

EUR 1 000 31 DECEMBER 2020 31 DECEMBER 2019

ASSETS

Non-current assets

Goodwill	64 107	62 143
Intangible assets	11 080	15 113
Tangible assets	306 095	306 736
Shares in associated companies	71 681	72 130
Other receivables	1 980	1 124
Non-current financial assets	48 300	56 595
Deferred tax assets	7 984	5 425

Total non-current assets 513 229 519 265

Current assets

Inventories	134 984	129 972
Trade and other receivables	134 520	137 221
Other current financial assets	208 414	142 507
Income tax receivable	7 343	4 681
Cash and short-term deposits	83 149	80 554

Total current assets 568 411 494 934

Assets held for sale 724 3 783

Total assets 1 082 364 1 017 982

EUR 1 000 31 DECEMBER 2020 31 DECEMBER 2019

EQUITY AND LIABILITIES

Equity

Share capital	8 204	8 204
Other equity	682 930	648 386

Equity attributable to equity holder of the parent 691 133 656 590

Non-controlling interest 0 -7 439

Total equity 691 133 649 150

Non-current liabilities

Interest-bearing liabilities	109 803	105 496
Other non-current financial liabilities	196	129
Provisions	3 559	2 478
Net employee defined benefit liabilities	30 152	25 791
Deferred tax liabilities	11 634	12 004

Total non-current liabilities 155 343 145 898

Current liabilities

Interest-bearing liabilities	12 195	12 851
Trade and other payables	208 701	201 516
Income tax payable	10 742	4 317

Total current liabilities 231 638 218 684

Liabilities directly associated with the assets held for sale 4 250 4 250

Total liabilities 391 231 368 832

Total equity and liabilities 1 082 364 1 017 982

Consolidated Statement of Cash Flows

EUR 1 000	2020	2019	EUR 1 000	2020	2019
Cash flows from operating activities			Change in cash flows (A+B+C)	3 235	18 819
Net profit (-loss) before taxes	86 743	71 845	Cash and short-term deposits at 1 January	80 554	61 284
Adjustments 1)	28 973	55 536	Net foreign exchange difference	-640	451
Change in net working capital:			Cash and short-term deposits at 31 December	83 149	80 554
Change in trade and other receivables	2 828	5 404	Change	3 235	18 819
Change in inventory	-5 012	-34 525	1) Adjustments		
Change in trade and other payables	7 250	23 528	Depreciation, amortisations and impairments	49 555	61 846
Dividends received	9 199	1 426	Share of associated companies results	-8 750	1 657
Interest received	6 403	5 737	Eliminated foreign exchange gains and losses	-867	211
Interest paid	1 069	-7 894	Financial income and expenses	1 522	3 513
Other financial income and expenses, net	-1 462	-1 003	Other adjustments	-12 488	-11 691
Income taxes paid	-18 711	-16 901	Total	28 973	55 536
Cash flows from operating activities (A)	117 279	103 152	2) Changes in liabilities arising from financing activities		
Cash flows from investing activities			Cash flow from financing activities consists of dividends paid, received		
Investments in tangible and intangible assets	-36 674	-31 324	finance lease receivable payments and repayments of leasing liability.		
Proceeds from disposal of tangible assets	16 721	21 160			
Investments in other investments					
(subsidiary acquisitions)	-7 063	0			
Dividends received	176	165			
Net cash flow from short-term investments	-49 453	-40 549			
Cash flows from investing activities (B)	-76 293	-50 548			
Cash flows from financing activities 2)					
Increase (-), decrease (+) in long-term receivables	-879	707			
Dividends paid	-20 397	-21 116			
Repayments of leasing liability	-16 474	-13 376			
Cash flows from financing activities (C)	-37 750	-33 785			

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



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



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



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

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



Paulig Ltd
Communications
Telephone +358 9 319 81
communications@paulig.com
www.pauligroup.com