

Annual Report 2022



For a life full of flavour.





Annual Report

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Paulig in brief



Family-owned company, founded by Gustav Paulig in

1876

Purpose

For a life full of flavour.

Revenue

1,105.5 MEUR

EBIT

5.8 MEUR

Revenue per Business Area



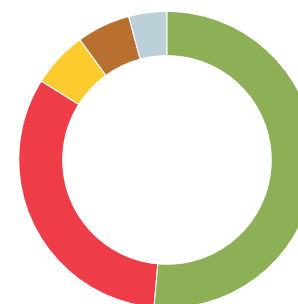
Values



Brands



Revenue per market



- 51.7% Nordic countries
- 32.3% Continental Europe
- 6.1% Baltics
- 5.9% UK
- 4.1% Other countries, incl. Russia*

*In May 2022 Paulig sold its operations in Russia.

Avg headcount

2278

Female*
45%

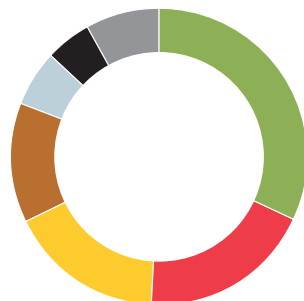


Male*
55%



*Situation December 31st 2022

Avg headcount per country

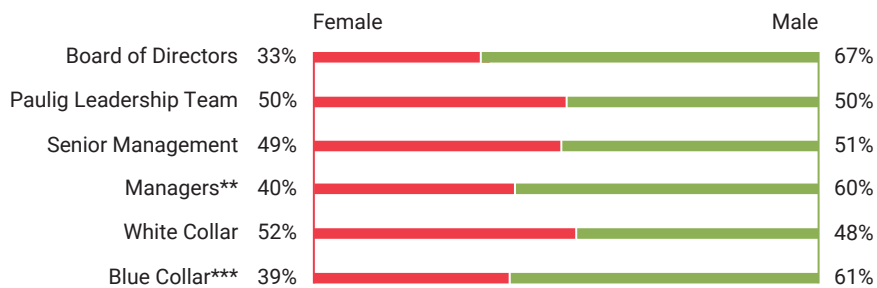


- 32% ● Belgium
- 19% ● Sweden
- 17% ● Finland
- 13% ● Spain
- 6% ● Estonia
- 5% ● UK
- 8% ● Others

Operations in 13 countries



Gender by position 2022*



*Situation December 31st 2022
 **Managers leading a team
 ***Production, warehouse and restaurant workers



CEO's review

“ In very many ways, 2022 was a historic year for Paulig. For the first time ever, the company's revenue exceeded EUR 1 billion, we bought and divested businesses, and despite a very turbulent year we managed to open a new factory in Belgium. Whilst our revenue grew significantly on the back of numerous price increases, we found that the global increase in the cost of raw materials, energy, transportation and other costs outpaced us and resulted in weakened operative profitability compared to the previous year. Furthermore, the war in Ukraine significantly accelerated the already identified trend in increased costs. In 2022, Paulig's comparable operating profit was EUR 44.2 million compared to EUR 95.3 million in 2021. The biggest factor affecting this decline was the significant increase in the price of green coffee. Despite the challenging year, we focused on implementing our growth strategy and sustainability initiatives: our aim is to become one of the fastest growing food and beverage companies in Europe and a sustainable frontrunner in our industry.

Last year was a year of remarkable change at Paulig. In January, we acquired Liven, an innovative Spanish snacking company, to accelerate our growth in the Tex Mex and Snacking categories in Europe. The first jointly developed snacks were launched less than six months later, and we completed the full integration of Liven in December. In March, we divested the Gold&Green brand, intellectual property and the R&D function. Despite our best efforts, we found that the buzz around plant-based proteins never really materialised into a significant change in consumption habits and scaling up the business in a profitable way remained an elusive target. We will continue to support plant-based diets through our Tex Mex, Spices

and Snacks product categories.

In March, we decided to withdraw from the Russian market after the outbreak of war in Ukraine. We completed the sale of the business in Russia in only two months, and we announced in May that we had sold the business to a private investor.

In September, we opened a new tortilla factory in Belgium to strengthen our position as the Tex Mex market leader in Europe. The new factory is the largest investment Paulig has made outside Finland. The factory produces tortillas for the Santa Maria and Poco Loco brands, as well as for private labels.

In addition, our business transformation programme, which harmonises business processes, progressed strongly. Unified global systems will make our operations more cost-effective in the future.

Tex Mex as a growth driver

Paulig's strategic goal is to double our Tex Mex sales, and last year we managed to increase the market share of Tex Mex in several countries. We achieved this in particular through focusing on in-store executions that focus on bringing the Tex Mex concepts to life.

During the first three quarters of 2022 the coffee category volume declined on the back of high coffee retail prices. This was driven by the historically high cost of green coffee. At the same time, consumers' confidence in their own finances weakened as inflation continued to rise rapidly. However, as the year drew to a close, coffee volume picked up again and, in the last two months of the year, millions of coffee packages were sold.

Additionally, our sales in the Spice category were in line with expectations.

Several achievements in sustainability

Sustainability is one of our key focus areas. In 2022, we continued to implement our sustainability programme and we made significant progress towards our ambitious targets, based on the UN Sustainable Development Goals.

Our ambition is that, by 2030, we will reduce greenhouse gas emissions from our own operations by 80 per cent and from our value chain by 50 per cent from the 2018 baseline. In tandem with this goal, Paulig aims to make all its factories carbon neutral. Today, 7 of our 11 factories are certified as carbon neutral. Last year, our factory in Milton Keynes, the UK, and a popcorn factory in Puig-reig, Spain, obtained CarbonNeutral® building certification.

We also activated the second phase of our sustainable farming partnership with Lantmännen to achieve more sustainable cultivation methods on Swedish farms. In phase two, Lantmännen will supply Paulig with 17,000 tons of wheat flour cultivated in accordance with the climate programme. This is expected to reduce the wheat flour climate impact by as much as 30 per cent. The wheat flour will be used to produce Santa Maria tortillas to meet Nordic and Baltic market demand.

In addition, Paulig started new climate projects in coffee origin countries. The first climate projects support farmers in adopting more sustainable farming practices. The aim is to reduce the climate impact of these coffee farms by up to 30 per cent and provide consumers with more sustainable coffee choices in the future.

Our ambition is that, by 2030, 70 per cent of the net sales come from products and services that enable health and wellbeing of people and the planet. We developed a Nutrition

KPI framework for this and it is utilised to evaluate our product portfolio and guide focus areas for product development. We also support the European Commission's upcoming proposal for a harmonised front-of-pack nutrition label.

The health and safety of our employees is one of our key priorities and last year we continued to focus on our safety culture. In most factories we made solid progress in this area, but at a few sites the development fell short of our targets and this is reflected in an overall negative safety performance for the company. Our key KPI, Lost Time Accident Frequency, rose from 2.62 to 5.03. We are committed to a zero accidents policy, and the work to achieve this continues together with all employees.

Paulig aims for strong international growth spearheaded by the Tex Mex and Snacking categories. The growth targets are supported by, among other things, the new tortilla factory in Belgium and the opportunities brought about by the Liven acquisition to develop new, tasty and innovative snacks.

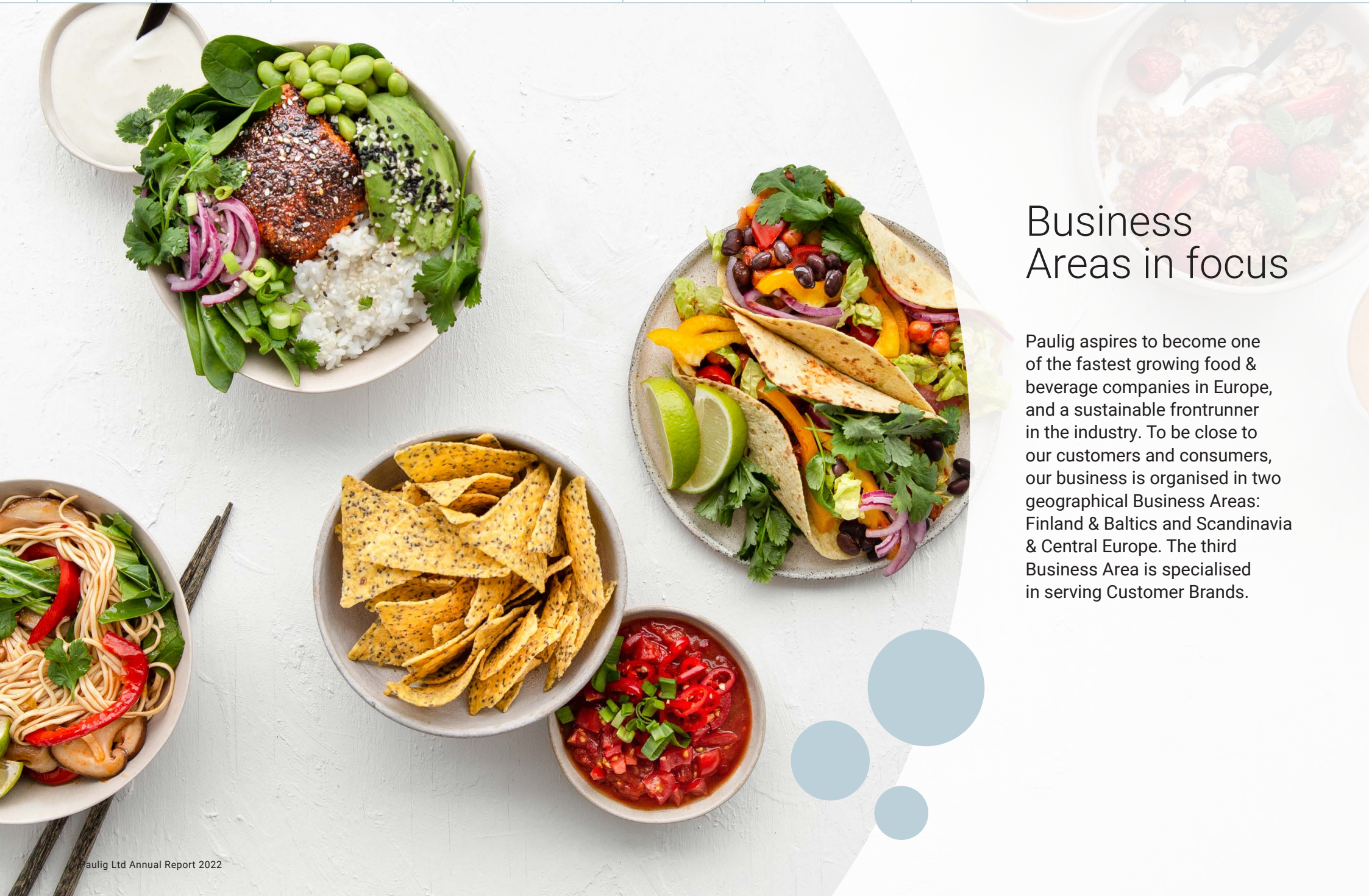
I would like to thank all our employees for their excellent work during a challenging year and our customers and partners for their great cooperation. ”

Helsinki, March 2023



Rolf Ladau, CEO of Paulig

In very many ways, 2022 was a historic year for Paulig. For the first time ever, the company's revenue exceeded EUR 1 billion. We also made several achievements in sustainability.



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 two geographical Business Areas: Finland & Baltics and Scandinavia & Central Europe. The third Business Area is specialised in serving Customer Brands.



Business Area Finland & Baltics

The Business Area's revenue totalled EUR 345.9 million (301.8) in 2022. In Finland and the Baltics, total coffee sales volumes were below the previous year's, mainly due to the challenging market situation in the category and high inflation. The sales of Asia, Tex Mex and Spice category grew nicely compared to the previous year. Retail sales grew +12 per cent compared to previous year.

In 2022, Paulig introduced new, smooth and dark taste variants for Juhla Mokka coffee in Finland. Popular Juhla Mokka campaigns with special edition packages for Mother's Day and Christmas continued. In addition, Paulig Mundo coffees became Carbon Neutral-certified products, and the coffee family was extended with a new Columbia & Honduras variant. In 2022, the Frezza cold milk-coffee beverage celebrated its 20th anniversary. In the Baltics, the coffee range was extended by launching a new Paulig Mokka coffee on the market.

Paulig continued its sustainability work in the coffee category and invited coffee lovers to make sustainable choices in Kesko grocery stores. As a result of this collaboration, over 86,000 coffee and shade trees were planted in Nicaragua. For the third year in a row, Paulig was ranked as the most sustainable brand in Fin-

land within the beverage industry. Paulig is the leading coffee brand in Finland and among the top three in the Baltics.

In the food categories, Paulig focused strongly on Tex Mex and launched a new Santa Maria marketing communications concept called "Chairing". Paulig's Santa Maria is the leading brand in the Tex Mex category in both Finland and the Baltics. In the Spice category, Santa Maria is one of the most popular brands in Finland and the market leader in the Baltics.

Out of Home (OOH) channel recovered well after COVID-19 restrictions and our sales in the channel grew by 29 per cent compared to the previous year. Successful Tex Mex and Asia concepts were growth drivers. In addition, premium coffee solutions for workplaces performed well as companies started to attract employees back to workplaces.

Facts about the Business Area

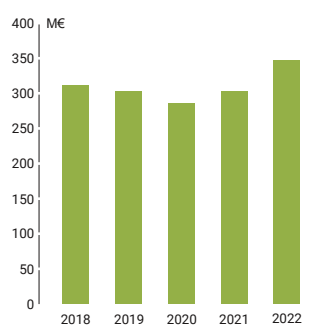
SVP of Business Area:

Lenita Ingelin

Revenue 2022:
EUR 345.9 million

Master Brands:
Paulig
Santa Maria

Revenue





Business Area Scandinavia & Central Europe

The Business Area's revenue totalled EUR 316.7 million (303.5) in 2022. Despite continued COVID-19 restrictions at the beginning of the year and a tougher financial environment for consumers during the second half of the year, Out of Home (OOH) channel showed strong growth (+26%). Full year, OOH revenue was larger than pre-COVID-19 levels. All markets contributed with high double-digit growth, except Sweden which showed high single-digit growth. On the other hand, the Retail sales slightly declined (-1%) as COVID-19 restrictions started to ease. Sweden and Norway were in line with last year, while the Netherlands showed growth.

The sales of Santa Maria products in Tex Mex, Asia and BBQ

categories grew while the Spice category showed a slight decline. Despite increased competition, especially in the Tex Mex category where several new players entered, the Santa Maria brand held its strong position across the markets, both in value and volume. The market shares in Spices increased in Sweden, both in value and volume, while it remained stable in Norway. However, the total Spice category declined as a result of consumers cooking less at home, in line with fewer restrictions after COVID-19. In the Asian category, market share was also defended, while market shares increased in the BBQ category in Sweden.

The new Santa Maria marketing communications concept "Chairing" was launched during the year and contributed to stronger brand equity in most markets.

Despite a strong commercial focus, new listings in a major retailer and the successful launch of a new granola range, the sales of Risenta brand declined slightly in comparison with 2021.



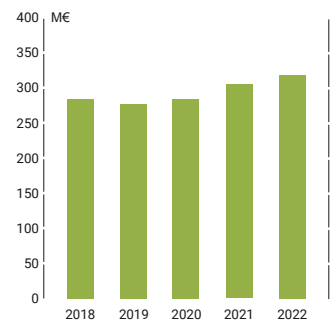
Facts about the Business Area

SVP of Business Area:
Henrik Samuelson

Revenue 2022:
EUR 316.7 million

Master Brands:
Santa Maria
Risenta

Revenue



Business Area Customer Brands

The Business Area's revenue totalled EUR 398.3 (286.8) million in 2022. In January 2022 Paulig acquired Liven, a Spanish snacking and Tex Mex manufacturer. Liven is included in the revenue and sales figures of the business area 2022. The year 2022 was dominated by a volatile market situation and a significant increase in raw material and other costs, such as transport, caused by the war in Ukraine and the related sanctions on Russia. These increases were gradually reflected in our sales prices and obviously had a positive impact on the revenue. Tortillas and tortilla chips were the most important revenue drivers.

The retail channel remains the most important channel for Business Area Customer Brands with 72% share. Retail sales grew +8 per cent compared to previous year. After two years of COVID-19, sales in the Out of Home (OOH) channel are now fully back on track and in high demand with 28% share. OOH sales grew +36 per cent compared to previous year.

The main markets for the Business Area are France, Germany, the UK, Spain and Portugal. Also, the home market of Belgium and Eastern and Central European countries are important markets for Customer Brands business area.

Since the announcement of Paulig acquiring Liven, the go-to-market plan was put in place to launch innovations in snacking both under private label and the value brand Poco Loco. In autumn 2022, the first innovation was launched for Halloween, a seasonal snack called "Creepy Friends", under the Poco Loco brand.

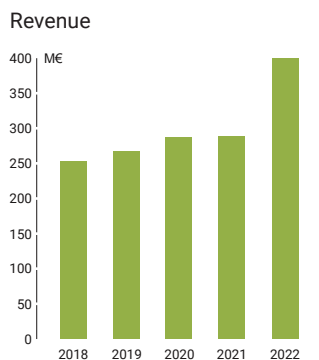
In September 2022, Paulig opened a new tortilla factory next to the existing ones in Belgium. The factory has CarbonNeutral® building certification. The project was worth EUR 45 million and it increases company's tortilla production as well as enables introduction of new innovative products to the market. This investment was the largest ever made by Paulig outside Finland.

Facts about the Business Area

SVP of Business Area:
Arnauld Demoulin

Revenue 2022:
EUR 398.3 million

Master Brands:
Poco Loco
Zanuy
Customers' own brands



Sustainability Report

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Welcome to Paulig's sustainability report 2022. This section describes Paulig's sustainability work during the financial year ending December 31st, 2022, covering all operations and companies that belong to the Group. The report is published annually, with the previous sustainability report having been published in April 2022. In the report, the Global Reporting Initiative (GRI) standards 2021 are used as a reference, where possible and relevant.

The report also follows the requirements set by the European Union's Non-Financial Reporting Directive. For greenhouse gas emissions, the data collection, calculations and methodology (Scopes 1, 2 and 3) follow the Greenhouse Gas Protocol. The reported CO2 emissions as well as the data reported for the sustainable sourcing of spices are assured by a third party.

For more information, please contact Lea Rankinen, Director, Sustainability and Public Affairs, Lea.Rankinen@Paulig.com.

Sustainability highlights 2022

NUTRITION FRAMEWORK IMPLEMENTED

We created the Paulig Nutrition KPI Framework to define what we mean by a product enabling health for people. The framework, based on science and recommendations of the authorities, has been implemented throughout Paulig, and it has paved the way for evaluating our product portfolio and creating roadmaps for the future.



FRONT-OF-PACK NUTRITION LABEL WEBINAR

In October 2022, Paulig hosted a webinar on the legislative proposal of an EU-harmonised front-of-pack nutrition labelling. With a panel of esteemed experts, we discussed how nutrition labelling can serve as both an opportunity and a tool in companies' nutritional development.

7/11 FACTORIES CARBON NEUTRAL

Our short-term goal is to make all our factories carbon neutral by the end of 2023. Now, seven out of eleven of Paulig factories are carbon neutral after our popcorn factory in Barcelona, Spain, as well as our tortilla factory in Milton Keynes in the UK, achieved the CarbonNeutral® building certification.



VALUE CHAIN CLIMATE PROJECTS

We have taken significant steps towards our ambition of halving emissions in our value chain through carrying on our collaboration with Lantmännen to reduce the carbon emissions in our wheat value chain. We also kicked off projects in the coffee origins to encourage the implementation of climate-smart farming practices.



CARBON NEUTRAL MUNDO COFFEES

The Mundo coffees, some of our flagship products when it comes to sustainability, took the next step forward by becoming completely carbon neutral as the line achieved the CarbonNeutral® product certification. The unavoidable emissions are compensated by supporting third-party verified forest projects in coffee origin countries.



OPENING A CARBON NEUTRAL TORTILLA FACTORY

The largest investment Paulig has made outside Finland, the new tortilla factory in Roeselare, Belgium was opened in September. Right from the start, the factory achieved the CarbonNeutral® building certification.



INCREASING KNOWLEDGE ABOUT FOOD WASTE

To cut food loss and waste, Paulig invites households to join the effort via the food waste calculator launched by Paulig and the Natural Resources Institute Finland (LUKE). To complement the calculator, we created a comprehensive educational package on food waste that can be used in home economics classes in primary education.

UPDATED CODE OF CONDUCT FOR SUPPLIERS

We updated the Paulig Code of Conduct for Suppliers to ensure it efficiently supports our sustainability ambitions as well as aligns with the renewed amfori BSCI Code of Conduct.

SUSTAINABLE SOURCING OF SPICES

Our strategic initiative for sustainable sourcing of spices expanded and we sourced 51% of our top 6 spices from externally verified sustainable sources. The six spices are: black pepper, Indian chillies, onion, oregano, turmeric and cumin.



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



Managing sustainability

Our aim is to be one of Europe's fastest growing companies in the food and beverage industry. With this position, we have a role in global climate, nature, and health solutions, and we want to contribute to the sustainable future of food. We strive to become a sustainable frontrunner: growing a food culture for the future and providing inspiration and means for a life that is sustainable, healthy and tasty.



Journey towards transforming food culture

2022 was the third year of work towards the ambitions we have set for ourselves for 2030. We want to be a sustainable frontrunner within the food and beverage industry, and to achieve this, the Paulig Sustainability Approach 2030 sets a clear direction for Paulig and all of our brands during this decade.

In February 2022, following Russia's attack on Ukraine and changes in geopolitical situation, we concluded that continuing business in Russia was no longer responsible nor viable. Considering our employees, customers and local legislation, it was decided that the sale of the business was the best solution for the exit. The sale was completed in May 2022.

The most threatening challenges of our time are climate change and the loss of biodiversity. It has become evident that we

can no longer continue the old way but need to do good for both people and the planet. The food and beverage industry must undergo a big change towards a sustainable food system.

As an international food and beverage company we exist in the middle of the food value chain, which gives us a prime position to not only take actions on our own but to influence both directions within the chain. By working together with our partners, we can address and improve issues at the root of where our raw materials come from. At the other end of the value chain, our role is to offer new flavours and inspire consumers with more sustainable choices that do not compromise on taste or convenience.

We must also recognise the fact that the way we currently eat does not always support the health and wellbeing of people. Here,

we want to be part of the solution and provide consumers with products and services that enable the health and wellbeing of both people and the planet. Our nutrition framework encompasses our work, guiding us in developing our products in a healthier and more environmentally sound direction.

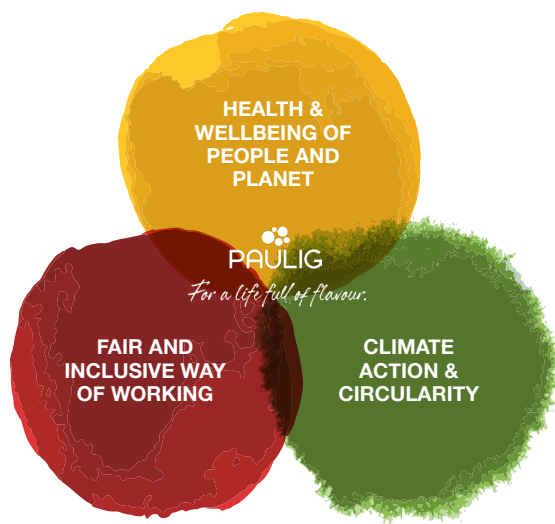
While doing this, we continue to develop our values-driven company culture to ensure that all of our employees as well as partners perceive Paulig as a fair and inclusive company.

AMBITION

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

AMBITION

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



AMBITION

50% less GHG emissions in our value chain

80% less GHG emissions from our own operations

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

50% less food loss in our value chain

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



We exist in the middle of the food value chain, which gives us a prime position to not only take actions on our own but to influence both directions within the chain.

SDGs

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

The Paulig Sustainability Approach 2030 is based on three prioritised Sustainable Development Goals:




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



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



Focus areas and how we are progressing towards our ambitions

FOCUS AREA	AMBITION 2030	PROGRESS 2022	FOCUS 2023	KPI STATUS 2022
 <p>HEALTH & WELLBEING OF PEOPLE AND PLANET</p>	70% of net sales comes from products and services which enable health and wellbeing of people and the planet	<p>ON TRACK</p> <p>Roadmaps developed for R&D towards the goal, and several projects initiated.</p> <p>Integration of the nutrition framework in the R&D/innovation process and product guidelines initiated.</p> <p>Development of health of planet framework initiated.</p>	<p>Continue integration of the nutrition framework to product guidelines.</p> <p>Review implications of new Nutri-Score rules to the framework and health KPI status.</p> <p>Finalise the framework for evaluating products against enabling health of planet and initiate status assessment.</p>	46% net sales of foods & mixed drinks enabling health for people
 <p>CLIMATE ACTION & CIRCULARITY</p>	80% less GHG emissions from own operations,	<p>ON TRACK</p> <p>One new factory sourcing renewable gas for production.</p>	<p>Continue identifying and implementing energy efficiency initiatives and energy alternatives for factories.</p> <p>Aim to cover all factories with ClimateNeutral® building certification.</p> <p>Continue planning and scaling climate projects together with suppliers in coffee and wheat value chains.</p>	-18.5% GHG emissions reduction in own operations and -3% reduction in value chain since 2018 baseline
	50% less GHG emissions in our value chain.	<p>Three new factories certified as CarbonNeutral® buildings: Milton-Keynes (UK), Roeselare Pildersweg Baking (Belgium), Puig-reig (Spain).</p> <p>Continued collaboration with wheat supplier Lantmännen to provide lower impact wheat to tortillas and kicked off three coffee climate projects with coffee partners in Brazil and Nicaragua.</p>	<p>Finalise recyclable coffee laminate testing and pilot new material in production.</p> <p>Continue testing and development of tortilla and spice bags.</p>	87% of packages by volume recyclable
	All our packages will be recyclable and made from renewable or recycled materials.	<p>ON TRACK</p> <p>Development on-going for recyclable coffee, tortilla, and spice bags.</p>	<p>Create productionsite specific roadmaps for food loss reduction in own operations.</p> <p>Initiate planning for food loss in value chain baseline evaluation.</p>	To be defined
50% less food loss in our value chain	<p>ON TRACK</p> <p>We continued to encourage and inspire consumers to reduce food waste.</p> <p>A strategic initiative was set to prevent food loss in Paulig's own operations.</p>	<p>ON TRACK</p> <p>Maintained the 100% of coffee from sustainable sources.</p> <p>Key actions for top 3 spices implemented successfully and scope of sourcing spices from sustainable sources expanded to six spices in total (black pepper, onion, Indian chilies, oregano, turmeric and cumin).</p> <p>Paulig basket of accepted standards and 3rd party verification methods trained to relevant stakeholders.</p>	<p>Implementation of key targets (vol share of 70%) of sustainable sourcing of the six spices in scope.</p> <p>Active supplier engagement to ensure meeting the existing targets and identifying new opportunities for further spices to be included in scope.</p> <p>Continuing building roadmaps for strategy period 2024–2026.</p>	51% of top 6 spices sourcing externally verified
 <p>FAIR AND INCLUSIVE WAY OF WORKING</p>	100% of raw materials from high-risk areas come from sustainable sources verified by external parties			



Our strategic sustainability initiatives greatly involve our supply chain and last year we extended the work to drive carbon reductions in the value chain.

Keeping our focus in turbulent times

“ The year 2022 was of a special kind, as the economical and geopolitical whirlwind swept over Europe. Naturally, the turbulent times did not only impact us at Paulig, but likewise our partners and suppliers, on whose collaboration we rely in order to reach our sustainability targets. That is why we considered it essential to keep our focus on the decided strategic sustainability initiatives and actions, and at the same time, to be responsive in adjusting our short-term KPI target levels.

Great efforts, gratifying outcomes

With the third year in our course towards the Sustainability Ambitions 2030, we already have made a great effort to make a difference.

One aspect that really makes me proud is the launch of Paulig's nutrition framework, which now guides our development and innovation work towards healthier products. The framework enables us to also proactively contribute to the EU-level discussion around nutrition labelling.

Another great example of our milestones is the CarbonNatural® building certification of our factories, with seven out of eleven now being certified. In regard to the target of having all our packages recyclable, we have worked tirelessly to develop materials that meet both our high quality and sustainability requirements.

Our strategic sustainability initiatives greatly involve our suppliers and partners and last year we extended the work to drive carbon reductions in the value chain.

Collaboration with Lantmännen continued to reduce the carbon emissions in the wheat value chain, and we started projects in the coffee origins to encourage the implementation of climate-smart farming practices with our partners and coffee farmers.

We also recognised the challenge of the limited availability of certified raw-materials, and thus, we are accelerating external verifications of our top spices and have restarted our own supplier audits, which were on hold during the pandemic times. Especially in terms of safeguarding human rights, there is still work to be done to continuously develop our due diligence practices.

The big picture has not changed

The year 2022 proved it is a great asset to have a solid sustainability governance model that allows us to respond to changing situations. Despite the adjusted short-term goals, our ambitions haven't changed. We will continue to execute our sustainability initiatives and, in the long run, accelerate the actions even more.

I'm impressed by our progress towards our sustainability ambitions and the level of implementation of the big bets. Let's keep up the good work and collaboration! ”

Lea Rankinen

Director, Sustainability and Public Affairs

Governance and development of sustainability

The year 2022 marked changes not only in our business environment but also in our company structure following the exit from Russia and from the plant-based protein business and the acquisition of the Spanish-based snacks company Liven. To ensure that we are focusing on the right topics and have our targets at a level that corresponds to our aim of becoming a frontrunner in our industry, we will review Paulig's sustainability approach during the first half of 2023.

Monitoring and considering the expectations of our different stakeholder groups and the impacts of global trends and external factors on our approach is organised according to our strategic sustainability development process. The process defines the inputs and actions, such as adjustments to strategic sustainability initiatives, and related outputs, such as annual situational analysis, and links the development work to other parts of the organisation and the shared annual timelines. The strategic initiatives are part of the business strategy and hence common for the whole organisation.

The commitment to our ambitions starts with our Board of Directors. The Board approves the long-term sustainability ambitions and regularly reviews sustainability performance against the targets. Furthermore, the findings from sustainability reporting assurance and related development areas are reported for the

Audit Committee. Importantly, Paulig Board provides the foundation for driving the sustainability initiatives.

Sustainability governance

Paulig's sustainability governance model formalises the roles and responsibilities for steering our sustainability actions. Moreover, it has brought more visibility and increased shared commitment to the targets. The strategic sustainability initiatives are treated as a part of Paulig's strategy process and integrated into the Paulig annual planning and budgeting cycles. We will continue to deepen the business integration.

The governance model will be revised during 2023 to enhance support for the implementation of our strategic sustainability initiatives. Regular review points will be established in relevant existing governance structures. Upcoming regulation, more precisely the EU Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD), will also be taken into account, and any necessary revisions to the sustainability governance, including the role of the Board, will be made.

In 2023, we will focus on the sustainability due diligence processes and building the necessary governance elements. The revision work was initiated in 2022 and a more systematic sustain-

The Board approves the long-term sustainability ambitions and regularly reviews sustainability performance against the targets.



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Improved data models and reporting processes have boosted our nutrition development.

ability due diligence process, enabling continuous improvement, is under development. We will also develop a deeper understanding of the human rights and environmental due diligence requirements within our organisation, starting from the top management.

In 2022, the company's internal incentive system was, for the first time, linked with the goal of achieving carbon emission reductions in our own operations. Also, the financing terms are increasingly tied to our sustainability target levels and performance.

Improving our sustainability data management

We have put significant effort into developing internal sustainability data management and governance practices and processes as well as on improving data quality and timeliness.

As concrete outcomes, we created a sustainability data model for Paulig, started creating automated reports for sustainability KPIs follow-up, and increased cross-functional understanding on sustainability data requirements. Importantly, improved data models and reporting processes have boosted our nutrition development work and we anticipate similar benefits in managing other sustainability focus areas and strategic initiatives.

The project has enabled us to identify areas where we need to improve data collection such as from our suppliers, and areas where we have deviations in data quality that need to be addressed. The project will continue in 2023 and enhance our sustainability management as well as serve Paulig in preparing for the upcoming CSRD requirements.

Sustainability Governance Model

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

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In parallel with the internal channel, we provide a separate whistleblowing tool to our external stakeholders to report any misconduct on our part.

We work for ethical business conduct

Through our Ethical Principles, we are committed to respecting the United Nations' Universal Declaration of Human Rights in all our operations. Our ethical principles also define our desire to promote ethical behaviour beyond laws and regulations. The Paulig Code of Conduct for Suppliers extends the same ethical principles to our value chain.

To keep Pauligians updated on our sustainability focus areas and performance, we utilise Paulig's intranet and internal gatherings. Sustainability performance is included in the quarterly strategy reviews and all new employees are welcomed to an on-boarding day that includes an introduction to our sustainability approach. Sustainability-related questions frequently appear in stakeholder communication and through our governance model we strive to make sure that business functions and areas have sufficient knowledge on sustainability topics and performance.

We updated the Paulig Code of Conduct for Suppliers during

2022 and developed elements of our human rights framework. We will continue this work and carefully monitor the regulatory development, more specifically the discussion around the EU CSDDD, as well as benchmark our models and solutions against the best practices within the industry.

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

Blowing the whistle for ethical concerns

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

We want our employees to feel comfortable with voicing dissenting opinions and concerns at the workplace. Paulig's personnel in all operating countries can raise possible issues any-

mously through a whistleblowing tool maintained by a third party and available in six languages.

In parallel with the internal channel, we provide a separate whistleblowing tool to our external stakeholders to report any misconduct on our part. We encourage the external stakeholders primarily to contact a manager at Paulig, but the anonymous whistleblowing tool ensures that we receive feedback even if the person feels that they cannot be open with their concern.

In 2022, we received 28 reported cases, 16 external and 12 internal, of which 6 were either tests or without content. Two main areas reported were reactions to Paulig's continued operations in Russia in February and March 2022 and people related topics. Most cases did not qualify as whistleblowing cases, but merely expressions of discontent. Non-conformities are evaluated and investigated by a dedicated team whose actions are logged and the handling is confidential. Cases are reported annually to Paulig's Board of Directors.

Managing risks, tapping into opportunities

Aligned with our sustainability approach, we have identified and carefully considered the most important sustainability risks and opportunities for Paulig. Climate change and loss of biodiversity are the most significant risks of our time and similarly they top the list for Paulig. Among the relevant sustainability risks are also the regulatory and political risks that have an effect in the sustainability work, especially in the areas of supply chain due diligence, deforestation and reporting. We constantly monitor the regulatory landscape and plan our advocacy actions to give our input in the legislative processes. Sustainability risks are managed according to the company-level ERM model.

We have also identified sustainability-related opportunities, especially in the consumers' increasing interest towards healthy, plant-based options. Through an annual situational analysis, we aim to ensure that there is sufficient information available to consider and identify risks and opportunities.

In our value chain

Human rights

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

We are continuously working on mapping the risks related to human rights as well as developing our processes and building more systematic due diligence processes with our suppliers and other partners. We strive to ensure respect for human rights both in our own business and throughout our value chain. Furthermore, we aim to continuously increase the knowledge of the human right topics within our organisation.

We apply diligent process when assessing suppliers' human rights related risks through country risk assessments, supplier self-assessments and audits. During 2021, we conducted a spe-

cial due diligence investigation on our supply chains' possible connections to Xinjiang province in China. Based on the findings we decided to find alternatives for Xinjiang origin raw materials as a sufficient level of visibility and accuracy through the due diligence process was not achievable. We concluded this change process in 2022.

We continue to build a holistic human rights management model as a part of our supply chain due diligence approach and to implement the roadmap for spices external verifications to ensure sourcing from verified sustainable sources.

Climate change

Climate change is the most significant long term sustainability risk for Paulig, and that is why our climate targets are aligned with a 1.5°C pathway and approved by the Science Based Target initiative. Paulig's biggest impacts on climate are within the value chain. Climate related risks and impacts are mitigated through general risk management and the strategic sustainability initiatives focusing on carbon reductions in our own operations and value chain as well as sustainable sourcing of raw materials from risk countries.

We have also identified sustainability-related opportunities, especially in the consumers' increasing interest towards healthy, plant-based options.



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By the end of the year 2022, seven out of eleven Paulig factories were certified as carbon neutral and the first climate projects in the coffee origin countries were initiated to implement climate-smart farming practices to reduce the carbon emissions of Paulig coffee. Collaboration with supplier Lantmännen continued to ensure lower carbon wheat for Santa Maria tortillas going forward.

Loss of biodiversity

In addition to climate change, biodiversity loss has been identified as a significant risk for Paulig as our business is dependent on raw materials cultivated on land and changes in local ecosystems can affect farming in many ways. In 2022, Paulig participated in a pilot to explore Science-based Targets for Nature to better understand nature impact evaluation and target setting. Our aim is to

understand the nature impacts even further and explore tools and data to help with the assessments.

Protecting and restoring forests is an essential part of the effort to tackle the loss of biodiversity and to mitigate climate change. In February 2022, we published Paulig's deforestation policy where we commit to working collaboratively to eliminate commodity-related deforestation from our supply chains as part of our sustainability approach. Regarding deforestation, the most relevant raw materials that are currently sourced by Paulig include palm oil, soya, coffee, cocoa as well as wood-derived products, such as paper and fibre-based packaging. For these commodities, certain practices related to verifications and sourcing will need to be considered in our product development and supply chain processes going forward.

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 and reported to the Board of Directors monthly. 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.



Biodiversity loss has been identified as a significant risk for Paulig as our business is dependent on raw materials cultivated on land and changes in local ecosystems can affect farming in many ways.



Together we can make an impact

Understanding the views and expectations of our various stakeholders helps us focus our sustainability work and set our ambition and target levels. Making an impact requires that we work with our stakeholders towards shared goals.

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.

Our consumers expect tasty, healthy, and sustainable products and services that they can safely enjoy. 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 with our customers in moving towards a more sustainable food chain. [Read more, Health. >>](#)

Pauligians, our employees, who number over 2,200 people, are the key asset to our success. They have shown great interest and support in our sustainability ambition – and are the ones turning the ambition into action. [Read more, People. >>](#)

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. It is important for us to have a dialogue with our suppliers to understand their challenges and where we may increase collaboration. [Read more, Community and Climate. >>](#)

Research institutions and NGOs are important partners for us in developing and broadening understanding of our impacts and future expectations. We want to make sure we use our resources

CASE

Joined forces to promote sustainable coffee cultivation

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

Already years ago, Paulig established its own partnership programme in Nicaragua that involves dozens of family-owned small farms. The partner farms are located in the village of San Jose de la Luz, where around 90% of the village's residents earn their livelihood from coffee.

During 2022, Paulig's and K Group's campaign reached the coffee farms in Jose de la Luz, and now 84,000 new coffee trees and 2,000 shade trees have been planted in the village. The new coffee trees improve the productivity of 15 coffee farms significantly, and the shade trees support the maintenance of biodiversity, improve soil quality as well as curb erosion and water evaporation at plantations. Shade trees also act as carbon sinks to fight climate change.



CASE

Webinar: Can a nutrition label change our eating habits?

In October 2022, Paulig arranged a webinar about the expected legislative proposal of an EU-harmonised front-of-pack nutrition label, together with the European Commission funded organisation EIT Food.

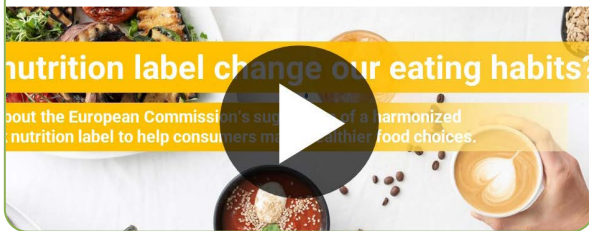
We had a great expert panel, including decision maker, authority, researcher, consumer and industry representatives sharing their knowledge, experience and expectations around front-of-pack nutrition labels and discussing the way forward.

The purpose of the webinar was to help the industry and other stakeholders gain understanding and provide practical examples of how a harmonised front-of-pack nutrition label could be used, not only on a pack, but also as an opportunity and a guide in companies' internal nutrition work and goal setting.

Some of the key takeaways from the webinar were:

- Front-of-pack nutrition labelling (FOPNL) policies are one key component in driving consumer decision making. There is evidence already gathered highlighting the impact of simpler, evaluative, colour-coded labels in a busy shopping context.
- A FOPNL can encourage and guide companies to shape public health through transparency and reformulation.

The webinar was recorded and followed up with a summary and comprehensive Q&A, all available at [Paulig's website](#). >>



wisely, which means our actions need to be based on scientific frameworks. Due to the complexity of the issues, we value the expertise and insights of research institutes and universities.

[Read more, Health](#) and [Climate](#). >>

Paulig is an active member of industry organisations in our countries of operations. We also contribute and voice our positions in different collaboration platforms. The most important associations and collaboration platforms can be found on [page 68](#). >>

Using our voice

Paulig actively participates in the public discussion on topics concerning our business, our impacts on society and the future of food. We want to show leadership and be a sustainable frontrunner in our industry through strong and visible commitments and actions, transparent communications and proactive stakeholder

engagement focusing on opportunities and advancing positive development in the policy environment.

We want to leverage our stakeholder work at the EU level, and Paulig representatives take part in discussions and share views regarding policy topics relevant to Paulig, such as Sustainable Food System Framework (SFSF), EU Code of Conduct on Responsible Food Business and Marketing Practices, Corporate Sustainability Due Diligence (CSDD), climate change, deforestation and nutrition and food health.

As an example, in 2022 we signed with other businesses and non-governmental organisations the "Make it Mandatory" COP15 Business Statement for Mandatory Assessment and Disclosure. The statement calls the participants to adopt mandatory requirements for large businesses and financial institutions to assess and report their impacts and dependencies on biodiversity by 2030.



Our key messages to the European Union

At the EU-level regulatory development, our priorities include front-of-pack nutrition label (FOPNL), the corporate sustainability due diligence directive, and the climate- and deforestation-related regulation. Paulig is listed in the EU's Transparency Register that promotes openness of the decision-making process.

As part of the European Commission's strategy for a sustainable food system, a legislative proposal of a harmonised, mandatory, front-of-pack nutrition label is underway, with the aim of helping consumers make healthier food choices and address the public health burden of diseases of lifestyle. Paulig supports harmonised front-of-pack nutrition labelling across the EU and endorses Nutri-Score as the harmonised label. Our view is that a mandatory label can increase clarity and transparency, improve guidance for the consumers and level the playing field for companies.

Paulig welcomes the proposal on EU-level harmonised, mandatory human rights and environmental due diligence, as part of the overall corporate sustainability governance legislation. Mandatory human rights due diligence would foster the necessary transformation towards respect for human rights across different sectors and ensure that efforts by companies are not undercut by the lack of a uniform standard of conduct and to guarantee a level playing field. Our view is that the focus of the regulation

should be on companies building strong due diligence processes while having the freedom to select adequate tools. Furthermore, policy coherence and alignment with other EU legislative initiatives, such as forced labour and deforestation legislation, should be secured.

Paulig supports the EU's climate ambitions, and we share the objective of the European Commission to protect the world's forests. We see the protection and restoration of forests as an essential part of the effort to tackle the loss of biodiversity.

Furthermore, we support the EU legislative framework to minimise the risk of deforestation associated with products placed on the EU market. Implementation of a smart mix of measures combats deforestation more effectively and ensures a level playing field for the industry.

We consider the recognition of third-party standards and certifications as necessary to have scalable and credible tools. Paulig supports a risk-based approach to curbing deforestation in partnership with producing countries. Different initiatives between companies and communities are essential to reducing deforestation and should not be disregarded. It is also important that the product-based due diligence requirements relating to deforestation and high-risk commodities are proportionate and in line with the EU's broader corporate sustainability due diligence legislation.

Our view is that a mandatory front-of-pack nutrition label can increase clarity and transparency, improve guidance for the consumers and level the playing field for companies.

Find more information on questions raised by our stakeholders

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Our economic impact

We are an international company and we have direct and indirect economic impacts on the economies in which we operate. Our direct economic impacts include purchases of goods from suppliers, wages and benefits paid to employees, dividends paid to shareholders, and income taxes paid to the public sector.

Our biggest indirect impacts relate to the supply chain. We source raw materials, products and services from nearly 80 countries, thereby creating business and job opportunities along the value chain.

Our tax payments and policies

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

In 2022, the direct income taxes paid by Paulig were EUR 11 million, of which approximately 29% was paid in Finland, 26% in Sweden and the rest in the other countries in which we operate.

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

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

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 economic value creation and distribution 2022, MEUR





Health and wellbeing of people and the planet

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

Road to our ambition

Global food production puts a great strain on the climate and ecosystems, while unhealthy diets may increase the risk markedly of morbidity and mortality. It is essential for both people and the planet to make a shift towards more sustainable diets. Paulig wants to be part of the force driving the industry in the right direction. The necessary transition to a sustainable food system is also an opportunity for us as a food company to provide sustainable options that meet the demands of consumers today and in the future.

Today, our product portfolio is almost 100% plant-based, and we have been working to improve the health aspect of our products for years. To accelerate this work, we have set a robust course towards the sustainability ambition of 70% of net sales in

2030 coming from products and services which enable the health and wellbeing of people and the planet.

To define what we mean by a product enabling health for people, we created a nutrition framework. The framework was completed during 2021, and it has paved the way for the evaluation of our baseline and current status as well as for continuous monitoring and development of our product portfolio. The framework has helped us in the identification of focus areas and creation of roadmaps to carry out our health ambition by 2030. During 2022, the nutrition framework was implemented throughout the organisation and the work to build a framework that defines a product enabling health for the planet was initiated.

HEALTH & WELLBEING OF PEOPLE AND PLANET

AMBITION 2030

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



Health and wellbeing

Our ambition is that 70% of our net sales come from products that enable the health and wellbeing of people and planet by 2030. Naturally, we need to be clear what we mean with the ambition. That is why, in 2021, we created a nutrition framework to define a product that “enables health for people”.

Paulig's nutrition framework is based on the front-of-pack nutrition label Nutri-Score, which is developed by independent researchers. The label is today the most widely used nutrition label in the EU and endorsed by the World Health Organisation's International Agency for Research on Cancer (IACR) and the European Consumer Organisation (BEUC), among others. Nutri-Score includes well-established nutrients and food groups known to affect health to be utilised in evaluating products.

In Paulig's nutrition framework, the criteria are further developed to align better with dietary recommendations and account

for all type of foods that may contribute to the development of food products containing healthy ingredients. The current algorithm behind Nutri-Score has been reviewed by Nutri-Score's International Scientific Committee, and changes have been proposed to better categorise products according to their nutritional quality. We will review our nutrition framework in accordance with the renewed algorithm.

In 2021, we completed the first evaluation of the status of our product portfolio in relation to our health for people target and set the baseline for the year 2020 as a starting point. Based on the evaluation, we identified focus areas and outlined opportunities that will take our portfolio towards the ambition of 70% net sales from products enabling health for people.

In parallel to our work, the European Commission is working on a legislative proposal of a harmonised front-of-pack nutrition label,



Nutri-Score and Paulig Nutrition KPI Framework

Developed by independent researchers, Nutri-Score is currently the most widely used front-of-pack nutrition label within the EU and the features of the label stand strong in relation to the findings in the European Commission policy reports on the topic, published in 2020 and 2022.

Nutri-Score classifies food products according to their nutritional quality, visualised transparently through a five-graded colour-coded scale, ranging from A (dark green) to E (dark orange). The Nutri-Score is the sum of “less healthy points” and “healthy points” generated from the content of well-established nutritional and food components.

The components contributing to:

- less healthy scores include energy, sugar, saturated fat and sodium.
- healthy scores include fibres, protein, and the parameter fruit & vegetables, also including these healthy foods: herbs, legumes, nuts and olive, rapeseed and walnut oil.

In our own nutrition framework, Nutri-Score is developed further to include also whole grain, seeds and spices in the food parameter yielding healthy points. Also, flours and purées of foods, with retained fibre content, are considered healthy, aiming to optimise guidance of the product development and the content of healthy components in our products. Since the current Nutri-Score algorithm is being revised, we will review our framework accordingly.

A product to be classified as enabling health for people should generally have a green colour as defined by our nutrition framework. For products consumed in very small amounts, such as spice-mixes and marinades, a yellow colour is used, since all products are evaluated by Nutri-Score based on a 100-gram quantity.

Our pure drinks, coffee and tea are currently exempt from the nutrition framework, awaiting the updates in Nutri-Score's drink category. In parallel, Paulig supports the Institute for Scientific Information on Coffee and also directly supports research projects on coffee and health.



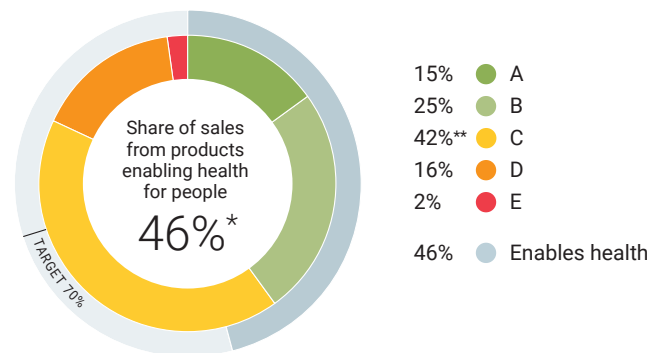
We are looking to existing environmental impacts scoring and evaluation methodologies to build an internal framework for also assessing our products against a planet health aspect.

which may or may not result in Nutri-Score or a similar model. This adds uncertainty to our work; however, we are doing our best to be prepared for – and make use of – what is to come. We are continuously keeping our eyes on the EU frameworks, guidelines and regulations within nutrition and sustainability, which we aim to align with, give input to, and exceed. Our next steps are to review the nutrition framework against Nutri-Score's new algorithm and the upcoming EU legislation on harmonisation of a front-of-pack nutrition label and also to accelerate the development of the framework to define products enabling health for the planet.

Building a framework for planet health

When it comes to planet health and the evaluation of individual food products, the evaluation gets even more complicated. Nevertheless, we consider the planetary diet as defined by the EAT-Lancet Commission being a good overall framework from an individual's viewpoint. However, we are looking to existing environmental impacts scoring and evaluation methodologies to build an internal framework for also assessing our products against a planet health aspect. We are still in the early stages of assessing the different environmental impact categories to include, data sources to use in the assessment and thresholds to set in terms of the overall scoring to meet the enabling planet health criteria. In 2022, we piloted a product sustainability impact evaluation tool utilising numerous data sets and scientific sources and assessing raw materials and ingredients against a selected set of key metrics including GHG emissions, blue water usage, land use, soil health, soil biodiversity, deforestation, and labour risk. In 2023 our work to build the planet health assessment criteria continues to make sure that our approach includes relevant impact categories and recognised methodologies and source data.

Paulig Nutrition KPI Framework



*Unallocated net sales, representing 7% of the total net sales, are excluded. The unallocated sales include, for example, intra-company sales, non-food items, and sales from one-pallet-units containing mixed products. If the unallocated sales are included in the KPI calculation, with the conservative assumption that no product contributes to share of sales enabling health, the total share enabling health is 45%.
 **12% of yellow C products applies to flavouring, contributing with 5% to the overall net sales enabling health for people.

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Integrating the nutrition framework in our innovation process

After defining Paulig's nutrition framework, we have taken the next step by integrating the framework into the Paulig-wide concept and innovation process. That means all development and improvement work we do is to relate to the nutrition framework, supporting our health ambition.

The nutrition framework is considered throughout the innovation process, starting already at the early concept development phase. If the concept aims to comprise any type of health communication or claim, the limit set in our nutrition framework for a product enabling health ("a healthy score") must be reached for the planned products and is a prerequisite for continuation. For concepts and products with other focus areas than health, a healthy scoring shall nevertheless guide the product development

throughout the entire innovation process to contribute towards our 2030 goal of having 70% net sales coming from products enabling health by 2030. If a healthy score is not reached, there are checkpoints for alignment or evaluation of the implications. Moreover, the nutrition framework has enabled us to draw a roadmap towards our health targets for 2030, including several activities such as the reduction of salt in tortillas and salsas as well as the reduction of salt and fat and the increase of the fibre content of chips, a number of which were initiated during 2022.

Previously, we have made an effort to steer our product development and thus our offering in a healthier and more sustainable direction. We have made reductions in the amount of salt and sugar in Santa Maria products, for example. We have also replaced a number of additives with herbs, spices and natural ingredients and palm oil has been replaced with rapeseed or sunflower

CASE

Spanish Liven strengthens our capabilities

In 2022, the Spanish company Liven was acquired by Paulig. Liven provides a wide range of snacks, snack bases and innovative techniques for new, varied, and healthier snacking.

Thanks to the integration of the nutrition framework throughout our company, we could efficiently and smoothly evaluate Liven's portfolio from the nutritional perspective. As Liven is a snacking company, the fusion of the two portfolios resulted in a slight decrease of Paulig's share of sales from products enabling health for people, compared to the baseline 2020.

However, Liven's high ambitions and top-notch snacks manufacturing and innovation capabilities strengthens Paulig's capabilities to reach our ambition of building a healthier snack culture. One example is a popping technique that enables snacks with less fat and energy content and snack bases with whole grain and legume content.



To address the challenge, we initiated the work of developing an automated IT process.

oil in all Santa Maria products and Frezza coffee beverages, resulting in lower amounts of saturated fat.

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

Building shared capabilities

Collecting detailed information of ingredient and nutritional content for over 4,000 products to calculate the Nutri-Score and the score for our own nutrition framework has been challenging. We will repeat the calculations annually to cover new and reformulated products for the evaluation of status and progress towards our goal. It is an extensive exercise that requires time and resources across the organisation.

To address the challenge, we initiated the work of developing an automated IT process where the status of the sales from products enabling health, in accordance with the nutrition framework, of the entire Paulig portfolio is continuously evaluated. The automated process will facilitate the gathering of product information and the monitoring of our status and progress in relation to our goals, and perform simulations of different R&D scenarios, enabling a more efficient and accurate way of working and facilitating the right choices.

During the year, we have shared our learnings from and ways of working with our KPIs and the IT-process to external stakeholders, aiming to amplify the impact of our sustainability efforts beyond the company's own walls.



Transparent communication and health claims

As part of the European Commission's strategy for a sustainable food system, a legislative proposal of a harmonised, mandatory, front-of-pack nutrition label is underway. The purpose with the proposal is to help consumers make healthier food choices and address the public health burden of diet-related diseases.

Paulig has been an active player in local and EU-level advocacy of front-of-pack nutrition labelling. We monitor the development closely to stand ready and align our nutrition framework in accordance with the proposal and final decision. We have drafted a Paulig position paper stating our view on front-of-pack nutrition labelling for the internal alignment, discussions in industry associations, as well as for contributing to the EU's public consultations on the subject.

Paulig wants to be part of the solution for better public health and embraces the legislative proposal of a harmonised front-of-

pack nutrition label, also helping peer companies and other stakeholders to understand the process better and view the proposal as a win-win opportunity for both companies and public health. We therefore arranged a sold-out webinar on the topic, with 500 participants from different organisations all over Europe, including food companies, retailers, trade organisations, NGOs, and authorities.

Responsible use of nutrition and health claims

The EU-legislative proposal of a harmonised front-of-pack nutrition label is expected to potentially include regulations around the nutritional quality of a product bearing a nutrition or health claim. The aim is to avoid the use of specific claims on products with an unhealthy overall nutrient profile, which may be misleading for consumers.



The breakfast of the year: Risenta Granola

Ever since its start in 1940, Risenta has been a pioneer of healthy food and natural ingredients that you can start your day with. In 2022, Risenta's Granola was awarded as the "Breakfast of the Year" by the panel of food editors of the Swedish magazine MåBra ("Feel Well"). The winner was selected based on great taste, ingredient list, nutritional values, as well as aspects such as sustainability and climate impact.



Plant-based creamer for workplace cafés

Coffee is an office essential, bringing colleagues together for casual conversations. Starting from 2022, Paulig now provides a plant-based alternative to traditional creamers to Paulig's workplace café concept. The cup of coffee accompanied by oat creamer has also a one-grade more favourable Nutri-Score compared to if accompanied with the regular creamer. A win-win for people and the planet.



Popping chips with less oil

Along with the acquisition of Liven in 2022, we embraced new raw materials and techniques for snacks production. One technique is the "popping" of chips. Instead of being deep-fried, the products are made by adding heat and pressure to the ingredients, making them pop into crunchy chips, resulting in less fat and energy. The popped chips can have a base of, for instance, potatoes, cereals or lentils and other legumes.



At Paulig, we have already taken actions for the responsible use of nutrition and health claims.

CASE

Early-stage investments for a tastier and more sustainable planet

We actively seek innovative products and solutions that are good for both people and the planet. Paulig's venture arm Paulig Incubator, PINC, invests in early-stage European start-ups with a high degree of innovation that share our vision to contribute to a sustainable food culture.

Since its launch in 2018, PINC has invested in several start-ups, from Kaffe Bueno that upcycles coffee side streams into high-value ingredients for cosmetics, nutraceuticals and functional foods to Melt & Marble, developer of animal-mimicking fat for plant-based meat alternatives. Just to mention a few.

During 2022 PINC invested in a Swedish start-up, For Real! Foods, a company aiming to provide alternatives to traditional, frozen indulgence food products by using natural and nutrient dense ingredients. Their first concept is a frozen pizza, primarily with bases made of locally grown cabbage. The result is a unique gluten free, low-carb pizza rich in protein. It also contains more fiber and micronutrients and less salt than regular pizza.

Alongside other co-investors, PINC also invested in Willicroft, a Dutch plant-based cheese start-up. Willicroft

offers a range of plant-based cheeses, made by combining age-old techniques with planet-friendly ingredients such as beans and pulses.

"Willicroft is by far the tastiest plant-based cheese range we have come across. It has a more attractive ingredient list than most alternatives available today and a high-powered team with traction in Europe. So, we could not be more excited to support this venture", says Marika King, Head of PINC.

Furthermore, in late 2022, PINC made an investment in the Danish startup EvodiaBio, a bio-industrial company that aims to reinvent the production of natural aromas. The company is preparing for its first market launch of natural hop aromas to be used in non-alcoholic beer.

The objective of PINC is to help Paulig renew itself and prosper as well as contribute to a tastier and more sustainable planet. PINC is an evergreen fund: it does not have a determined time for exit but always acts in the best joint interest of the start-up and investors. Even if we do not invest, we can connect relevant entrepreneurs to Paulig for fruitful collaboration.

At Paulig, we have already taken actions for the responsible use of nutrition and health claims. The green colours of Paulig Nutrition KPI Score in our nutrition framework defines not only a product "enabling health for people", but also as a product suitable for using claims of nutrition or health. In addition, all our new health claims that are planned to be used on package or any related product communication need to go through Paulig's Legal Advisory Board to ensure a correct interpretation of the legislation and the responsible use of the claim.

As a result of such a process, we have adopted internal policies, such as for the claim "No added sugar". Moreover, to contribute to a fair and responsible use of nutrition and health claims within the food sector, and as a means to streamline our internal work, we are piloting a new tool that digitalises and helps interpret the use of nutrition and health claims.

In general, all our claims and communication are guided by Paulig's Responsible Marketing & Communications Guidelines that commit us to integrity, accuracy, honesty and transparency as well as inclusivity in all our messages. We also take into consideration health and the environment through promoting a sustainable lifestyle and not encouraging excess consumption of food and beverages.

Our claims and communication are guided by Paulig's Responsible Marketing & Communications Guidelines.



Managing Quality and Food Safety

Food safety and quality are top priorities for us, and they are the foundation when building customer and consumer trust. Our work to secure the quality and safety of our products stretches from raw material farming and sourcing all the way to the end consumer.

In order to ensure that our raw materials, products and packaging materials meet our high requirements, we assess risks proactively and meet with our suppliers regularly to investigate their ways of managing quality and food safety.

In our own production, we follow all our procedures carefully in everyday operations to ensure that the different process phases never fail. Our quality and food safety work are based on certified management systems, such as ISO 9001, FSSC 22000 and BRC Food. In 2022, we finalised our long journey and now all our production sites are certified against a food safety standard approved by Global Food Safety Initiative. [See a full list of Paulig's management systems at page 71. >>](#)

Based on our continued risk assessments involving quality, food safety and food fraud and in order to ensure the legal compliance of our raw materials, packaging materials, semi-finished and finished products, we have extensive incoming control plans. We are also always learning from incidents in our industry and

update our control plans based on them. For instance, ethylene oxide controls have been incorporated into our incoming inspections where relevant.

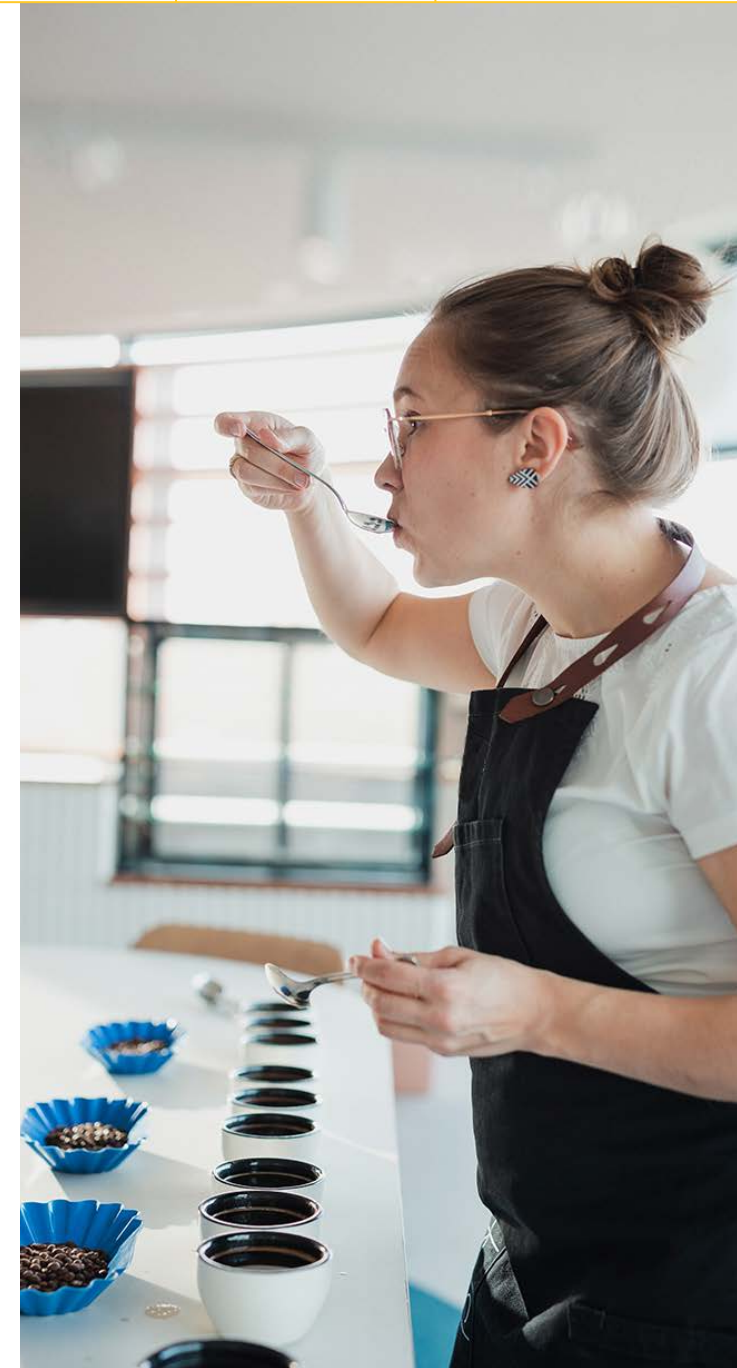
One way of ensuring that the quality and food safety of our products meet our customers' and consumers' expectations is to analyse our finished products frequently. As an example, every batch of coffee that leaves our factories is sensory evaluated by trained tasters. We also monitor, for example, chemical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

Developing our food safety culture and tools

Besides the technical measures, we continuously develop our common food safety culture. In 2022, we carried out an assessment at each Paulig site to assess the development of food safety culture. While we already have strong local examples, we pursue having a shared culture and tools for the whole company, and we work to further develop and harmonise our internal operations.

For example, legal monitoring and compliance is a key measure in our work. To improve its efficiency and scope, we are implementing a new harmonised compliance assessment process

We learn from incidents in our industry and update our control plans based on them. For instance, ethylene oxide controls have been incorporated into our incoming inspections.



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

and tool. To support the work, Paulig Legal Forum is closely following up and communicating about upcoming legislation related to food and packaging materials.

To enhance the knowledge of relevant legislation within Paulig, a review of specific legislation as well as food safety training including regulations has been held for persons working in our sourcing. Further, the Paulig Legal Advisory Board has supported our quality and marketing personnel in interpreting food legislation in challenging or complicated topics.

Efficient processes for recalls and withdrawals

The health of consumers is our responsibility and priority. Still, we know that things can sometimes go wrong, and we must have an efficient process in place to ensure prompt and proper actions. During 2022 we initiated two food safety related recalls. The first

recall was caused by one mold incident in tortillas initiated by a customer. As a precautionary step we decided to recall all impacted organic tortilla batches. The other recall was due to the presence of atropine and scopolamine in Santa Maria organic corn chips.

Key learnings from these incidents were improved supplier management and improved monitoring of package leaks. We also found some areas in our crisis management process which we have started to improve.

CASE

Precautionary recall of organic tortilla chips

In summer 2022 we decided, as a precautionary measure, to do a global recall of Santa Maria organic corn chips due to the presence of atropine and scopolamine in the product.

Atropine and scopolamine are organic compounds that occur naturally in plants found in cornfields and can be found in products containing organic corn flour, for example chips and tortillas. Excessive consumption may cause temporary physical symptoms like nausea and headache.

While the EU legislation at the time only set limits for atropine and an scopolamine (tropane alkaloids) in the product for infants and young children, we seized all production and delivery in all Paulig markets. A new regulation (EU regulation No 2021/1408) regarding the maximum levels of tropane alkaloid came into force from 1st of September 2022.

During the recall, we had a good collaboration between the internal teams to handle the case and to answer the concerns raised. We also took learnings to strengthen our skills in the traceability process as well as to develop our external communications. For future deliveries of organic corn flour, we will sample every batch for atropine and scopolamine.



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Climate action and circularity

Paulig aims to be among the forerunner companies in the food & beverage industry, and we have set ambitious climate targets approved by the Science Based Targets initiative. Our ambition is to reduce the greenhouse gas emissions from our own operations by 80% and from our value chain by 50% by 2030 from a 2018 baseline. Along with the climate ambitions, we have committed to working towards circularity and have set a target that all our packaging will be recyclable by 2025 and made from renewable or recycled materials by 2030. Furthermore, we strive to halve the food loss in our value chain by 2030.





The road to our ambition

The food system accounts for more than a third of global human-caused greenhouse gas emissions and is a significant contributor to the climate and biodiversity crises we are facing. We at Paulig want to be a part of the solution instead of the problem, and follow our 1.5-degree pathway. Our business strategy is to be the fastest growing food and beverage company in Europe, which means we need to be able to decouple the emissions growth from our business growth in the coming years.

For this purpose, in 2020 we set ambitious climate targets approved by the Science Based Targets initiative. Our ambition is to reduce the greenhouse gas emissions from our own operations by 80% and halve the GHG emissions from our value chain by 2030 from a 2018 baseline. Following the structural changes in

2022, we revised the 2018 baseline based on the GHG Protocol guidelines on acquisitions and divestments.

The vast majority of Paulig's carbon footprint, 96%, derives from our value chain, most notably linked to the agricultural production of raw materials that we use in our products. Whilst the climate impact in our value chain is much greater, our work is also linked to the ability of farmers to better adapt to the changing climate and to build their capacity and resilience. We are closely engaging with our key wheat and coffee partners and farmers to find ways to reach the desired emission reductions as well as build their capabilities. Naturally, change does not happen overnight, and the results will be visible in the coming years.

Compared to the baseline year 2018, our Scope 3 emissions

AMBITION 2030

50% less GHG emissions in our value chain

80% less GHG emissions from our own operations

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

50% less food loss in our value chain



were 3% lower. This reduction is mainly due to changes in the business structure, decline in total coffee sales volumes and adjustments to raw material emission factors. The overall development of our value chain emissions is driven especially by the growth of our Tex Mex category which has been steadily growing and boosted by the starting of the new tortilla factory in Belgium. Growth in production volumes requires more raw materials causing agricultural emissions, which is why in coming years we will have a special focus on the supply chain for the wheat for the production in Belgium.

Although our own operations account only for 4% of Paulig's total emissions, we work systematically to cut our emissions and improve our efficiency. During 2022, three new Paulig production sites in the UK, Belgium and Spain received CarbonNeutral® building certifications. Our absolute emissions in 2022 were 18.5% lower than in the baseline year of 2018.

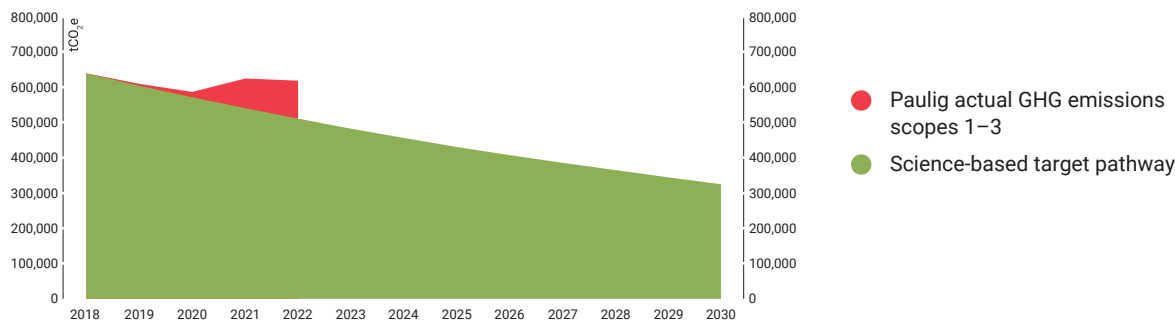
In line with our climate ambitions, we are committed to circularity. Our packaging development teams have been working diligently to test recyclable packaging options for our coffee, tortilla, and spice products to meet our 2025 milestone of 100% recyclable packaging. Currently, 87% of our consumer packages are recyclable.

Furthermore, our ambition is to halve the food loss in our value chain by 2030. To achieve this, we will kick-start a new strategic sustainability initiative relating to food loss with the first focus on food loss from our own operations, starting with baseline data collection and identification and sharing of the best practices. For example, we will introduce machinery enabling the regrinding of tortilla dough also to those sites not previously having one.

Our business strategy is to be the fastest growing food and beverage company in Europe, which means we need to be able to decouple the emissions growth from our business growth in the coming years.



Emissions reduction path to 2030 (tCO₂e)



Climate action

Collaboration towards halving value chain emissions

As part of the science-based climate targets, we have an ambition to reduce emissions from our value chain by 50% from the 2018 baseline no later than 2030. Around 80% of Paulig's value chain climate impacts are linked to the production of the raw materials such as coffee, wheat and corn used in our products that we source from 530 direct suppliers in nearly 70 countries.

We believe that the only way of scaling up climate action is by working together. Therefore, we are engaging closely with our key partners and farmers to jointly plan and execute projects to reach the aspired emissions reductions.

In our coffee value chain, we launched three coffee climate projects with our partners in some of the main sourcing origins, Brazil, Colombia and Nicaragua. The projects focus on improving on-farm nutrient management, trialling regenerative agricultural practices and planting cover crops in the coffee farms. The activities aim at reducing the need for external inputs such as synthetic fertilizers and contribute to improving soil health and water retention, for instance. We are expecting up to 30% emissions reductions at the farm level from these activities. Naturally, the implementation

takes time, and the results will be visible in the coming years.

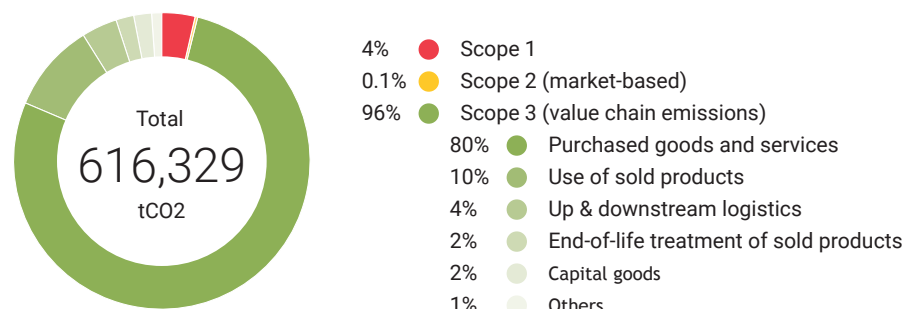
In Sweden, we carry on the climate collaboration with our wheat supplier Lantmännen. The collaboration ensures that all wheat used for our Santa Maria tortillas produced in our Landskrona factory are sourced according to Lantmännen's Climate & Nature programme, resulting in up to 30% lower climate impact compared to the 2015 baseline of average Swedish fall wheat. The first lower climate impact wheat was received at our tortilla factory in late 2022.

We also continue our support for the Svensk Kolinlagring, a Swedish initiative that gathers key actors around the goal of creating sufficient incentives for increased carbon sequestration of Swedish agricultural lands. The focus is on building necessary scientific, cultural and legislative knowledge regarding carbon sequestration, as well as on the measurement methods, verification and practical application at the pilot farms.

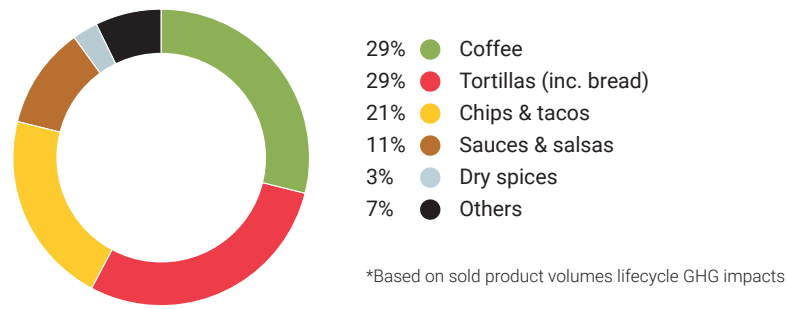
As our tex mex business is growing especially in Central Europe, at the end of 2022 we were in a situation where our value chain GHG emissions are not yet declining in line with our science-based target pathway. Compared to the baseline, our Scope

In 2022 we launched three coffee climate projects with our partners in Brazil, Colombia and Nicaragua aiming for climate-smart farming practices.

GHG emissions from Paulig's operations and value chain 2022



Share of GHG emissions by product group*





CASE

Lower climate impact wheat with Lantmännen

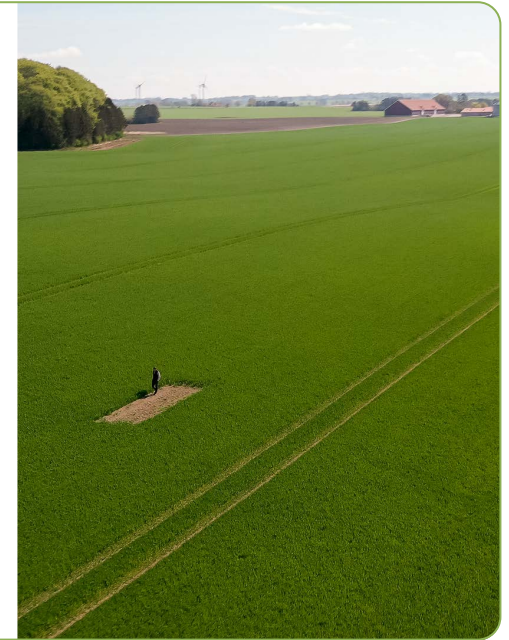
We have a sustainable farming partnership with Swedish agricultural cooperative Lantmännen and their Climate and Nature programme.

The collaboration enables Swedish farmers supplying wheat to Paulig's Santa Maria tortillas to use more sustainable cultivation methods, such as precision farming, lower impact fertilizers and fossil-free fuel for tractors.

The Climate and Nature programme also includes activities for improving on-farm biodiversity, such as leaving flower strips for pollinators and other insects, and skylarks for birds to nest in.

Within the partnership, the 17,000 tonnes of wheat flour supplied to Paulig annually cover the annual baking of 400 million Santa Maria tortillas and will hold up to 30% less GHG emissions per unit of volume compared to the average Swedish fall wheat in 2015.

The wheat cultivated under the programme was planted in fall 2021, harvested in 2022 and will end up in the Santa Maria Original tortillas in store shelves in the spring of 2023.



3 emissions were 3% lower. This reduction is mainly due to changes in the business structure, decline in total coffee sales volumes and adjustments to raw material emission factors. We are working hard to further decouple the emissions growth from our business growth, which means that we need to find the fastest and most effective emissions reduction activities in each of our key value chains and aim for a quick scale-up of actions.

Regenerative farming in Nicaraguan coffee farms

One of our coffee climate projects launched in 2022 focuses on introducing regenerative farming practices to five coffee farms in Nicaragua. Our supply partner, Mercon, is engaging with their local farming cooperatives with identified leading farmers in the community to implement the regenerative farming practices.

The project runs from 2022 to 2024 and aims at testing agricultural practices that ultimately can lead to reduced need for external inputs, such as synthetic fertilizers causing the majority of

the greenhouse gas emissions of farm activities.

The practices include intercropping (growing other crops, such as beans, maize or banana, in between rows of coffee plants) as well as the use of organic fertilizer and biogas production from farming by-products.

The farmers will be supported throughout the project to ensure a successful transition from traditional to regenerative farming. Just as importantly, the farmers will act as ambassadors with the aim of demonstrating the benefits of regenerative practices and inspire the local farming community to join in.

Research co-operation to reduce pesticides in coffee farming

The long-term and intensive use of pesticides, including herbicides, fungicides and insecticides in agriculture raises concern for the environment, its biodiversity and the people who live in it. The ecosystem impacts of pesticide use in coffee farming have

CASE

Carbon reductions in wheat farming in France

Farmers are getting more and more interested in the potential for carbon reductions and removals as an additional source of income. Often, the key question is how to get started and how to demonstrate the improvements to get financially compensated for the efforts.

Soil Capital was one of the first partners for farmers in Europe to offer a certified carbon credit programme and connect farmers with end customers who purchase the credits. Soil Capital is working with the farmers to help them make the baseline assessments and to model the climate impacts of practice changes as well as to externally verify the reductions or removals.

In 2022, Paulig sourced 800 carbon credits created by French farmers in the wheat supply chain for the tortillas produced in our factory in Roeselare Belgium.



yet to be adequately investigated.

Paulig has joined a large private-public consortium, ECOFFEE R&D initiative, coordinated by the French tropical agricultural research agency CIRAD. We are addressing this issue together with our suppliers Ecom and Mercon as well as other coffee roasters, traders and value chain participants and research organizations from Brazil, Nicaragua and Vietnam.

The initiative aims at progressively reducing pesticide use in coffee farming through an international network of trial plots which will house experiments to assess zero-pesticide biological control methods against coffee parasites, whilst ensuring viability for farmers.

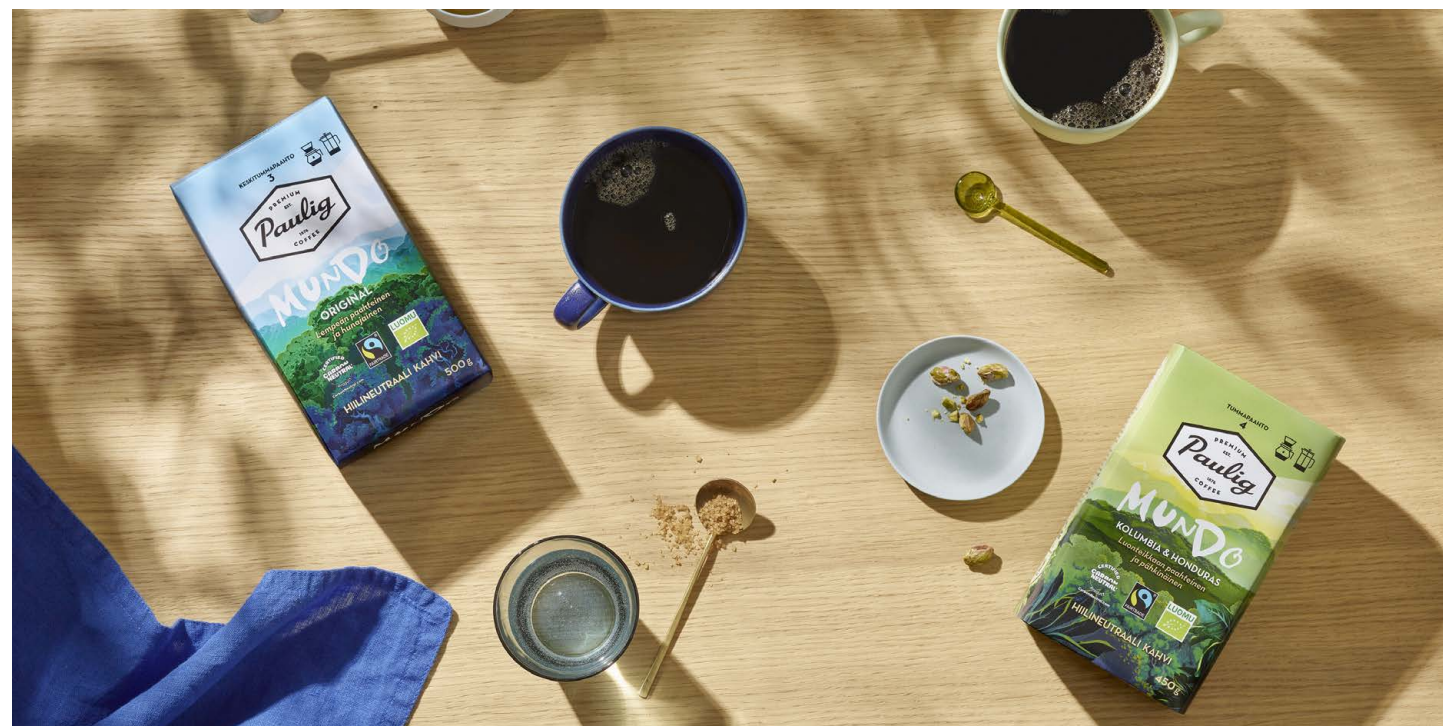
As one of the first steps of the initiative, baseline studies were carried out in four coffee origin countries, Brazil, Vietnam, Mexico and Nicaragua. The next steps include thematic workshops to

bring experts together to review and share state-of-the-art knowledge on pesticide use as well as identifying the most promising solutions in various commodity chains.

Launching the first CarbonNeutral® Product – Mundo coffee

The Mundo coffees are some of Paulig's flagship products when it comes to sustainability. In fall 2022, the Fair Trade and Organic certified product family took the next step by becoming completely carbon neutral. The CarbonNeutral® Product certification has been awarded by Climate Impact Partners.

As Mundo coffee is made from organic production relying mostly on organic inputs, the climate impact from coffee cultivation is already lower than for conventionally grown coffee. In addition, we have reduced the climate impact by switching the Mundo





We started implementing a Paulig-wide transportation management solution that enables further route and load optimisation to increase the filling rate of trucks to avoid both unnecessary loads as well as empty running.

packages from fossil-based to partly plant-based raw materials.

Mundo coffees are roasted in our CarbonNeutral® certified Vuosaari roastery in Helsinki, and we have switched the sea freight fuels to biofuels through a mass-balance sourcing with our freight partner.

Even after all these activities reducing the Mundo's climate impacts, some emissions remain unavoidable, including the local transportation from the coffee farms to the origin harbour and the final coffee making by the end-customer. We even wanted to include the impacts of the disposal and waste management of the coffee packages in the carbon footprint calculations.

The unavoidable Mundo emissions are compensated by supporting third-party verified forest projects in coffee sourcing countries, focusing on nature-based solutions such as forest protection and reforestation.

More about Paulig's compensation projects and the certification criteria. >>

Systematic work to cut logistics emissions

As a part of our value chain emission reduction target, we are committed to reducing our logistics emissions by 25% by 2025. The best ways to make the greatest emission reductions are by network optimisation as well as through collaboration with our suppliers, service providers and customers. We work in close collaboration with our key logistics partners to plan emissions reductions in several routes in Nordic and Baltic countries.

In Sweden, we continued the use of biogas and biofuels in all our internal transportation flows. This goes hand in hand with our commitment to the Transport Initiative 2025, with the target of

using only fossil-free transport in Sweden by 2025.

Within Finland and the Baltic region, together with Transval and Neste we already in 2021 switched all terminal tractors transporting green coffee within the Vuosaari port in Helsinki to renewable diesel. Moreover, together with Neste and DSV we have made it possible for 87% of our coffee deliveries from Finland to the Baltics – equalling around 500 truckloads – to run on renewable diesel.

In 2022, we started implementing a Paulig-wide transportation management solution that enables further route and load optimisation to increase the filling rate of trucks to avoid both unnecessary loads as well as empty running.

With this systematic work and co-operation we have managed to reduce the logistics emissions intensity in our Central European logistics. However, as our business has been growing at the same time, our absolute logistics in the same area kept growing. We will work on a group-level roadmap towards our reduction targets and develop our key partnerships with logistics partners to be able to decouple the logistics emissions growth from business growth in the coming years.

Towards reducing our own emissions by 80%

The year 2022 brought some changes to our production site network, and thus to our emission sources. In January, we welcomed a new addition to Paulig with the acquisition of Spanish snacks company, Liven, including its two production sites. Later in the year, a decision was made to sell our Gold & Green brand and business in Finland as well as to withdraw from Russia.

These structural changes also had an impact on our carbon footprint. Based on the GHG protocol guidelines on acquisitions

and divestments, we revised our baseline. The net change to our baseline was +3% and by the end of 2022 the GHG emissions from own operations were 18.5% lower than in 2018.

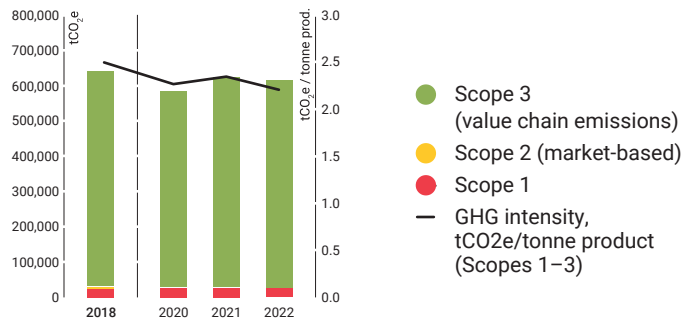
In 2022, we switched to renewable energy in our Milton Keynes factory in the UK. In addition to Milton Keynes, the new tortilla factory in Roeselare, Belgium and the Puig-Reig factory in Spain received CarbonNeutral® building certifications during the year. At the end of 2022, seven out of our eleven factories were Carbon-Neutral® building certified.

In 2023, our plan is to certify the remaining four factories. The plan is dependent on local availability of green gas to replace current use of natural gas in the production processes, as well as on renewable gas certificate registries enabling cross-border certificate transactions which are not yet in place in all our operating countries.

We are engaging with local gas suppliers in Estonia, Belgium and Spain to be able to source green gas via certificates, and we are also investigating other ways to increase the use of renewable energy in our operations. Since 2018, the share of renewable energy used in our production has increased by 97%.

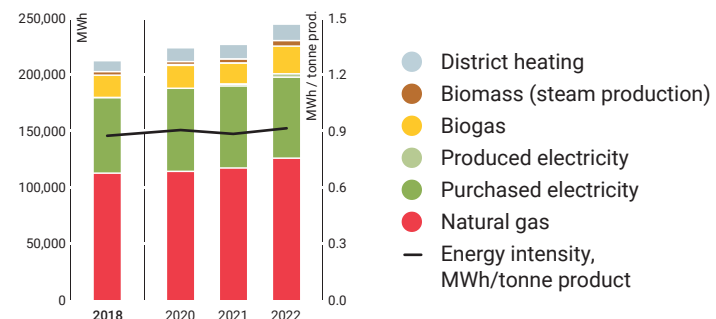


GHG emissions and intensity*



*2018–2021 restated based on acquisitions and divestments.

Total energy consumption by source and intensity*



*2018–2021 restated based on acquisitions and divestments.

Alongside switching to sourcing renewable energy, efficient use of energy is highly important for us, especially in the energy crisis we are currently facing.

Alongside switching to sourcing renewable energy, efficient use of energy is highly important for us, especially in the energy crisis we are currently facing. During 2023, we will conduct energy efficiency and renewable energy alternatives study.

In 2022, our absolute energy consumption increased by 6% compared to the previous year and our energy intensity increased by 2%. Absolute energy consumption increased due to business growth, especially in our Tex Mex categories, and the acquisition of snacking company. The share of renewable energy stands at 49%. Due to the use of renewable sources across our sites, the GHG intensity for Scope 1 and 2 decreased by 6% compared to 2021.

CASE

Energy-efficiency through heat recovery

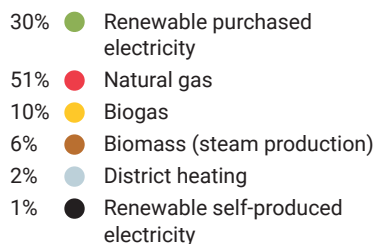
As our coffee roastery in Vuosaari, Helsinki is one of the most modern in Europe, we have already made a significant effort to optimise our energy consumption. We had a target to reduce energy consumption at Vuosaari site by 7.5% by the end of 2025 from a 2016 baseline. Thanks to a comprehensive plan and execution on-site, we already surpassed the target with a 10% decrease. The savings thus far account for 2,589 MWh.

The energy consumption reductions at the Vuosaari roastery were greatly aided by a heat recovery plan implemented in 2020 and continued through 2022, which utilised heat condensed from the air compressor to recycle heat generated during roasting.

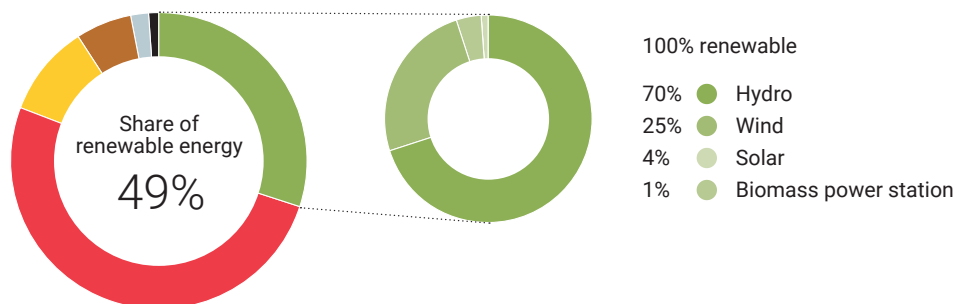
Up until now, our annual district heating demand in Helsinki has dropped by 40% and the excess heat is directed back to the local district heating grid. Next, we are exploring the possibility of recovering the heat from the refrigerating machines.



Energy consumption by source 2022



Electricity by source 2022



Circularity

To achieve a carbon neutral future within the limits of the planet, we must incorporate circular thinking into our operations. At Paulig, we can embrace circularity in various stages, from nutrient recycling to organic fertilizers in primary production to developing fully recyclable packaging made from renewable or recycled materials.

Today, all of Paulig's retail and transport packages and 86% of our consumer packages are recyclable according to our definition. To meet our ambition of having all our packages recyclable and made from recycled or renewable materials by 2030, our first milestone target is to have all packages recyclable by the end of 2025.

We also see preventing food loss as a way to embrace circular thinking, and we are committed to the global challenge of reducing food loss by 50% by 2030.

Recyclability of packages in focus

Even though packaging usually only accounts for a few percent of a product's environmental footprint, it plays an essential role

in protecting the product and its taste. Thus, recyclability is just one aspect of packaging design; other important factors include handling and transportation durability, packaging line runnability, maintaining product freshness, preventing food and coffee waste, and providing necessary information to consumers. Close collaboration with supplier partners is vital to achieve these objectives.

Our commitment to using recyclable packaging and renewable and recycled raw materials is guided by the principle that the quality and food safety of our products must never be compromised. The challenge lies in maintaining all the necessary package functions, such as puncture resistance, oxygen, light, and moisture barrier, and tight sealing, while using only recyclable monomaterials.

Currently, we are focusing our development efforts on the packaging of the greatest product volumes, i.e., tortilla, coffee and spices. In collaboration with our packaging suppliers, we have de-



CASE

25 MEUR investment to enable recyclable coffee packaging

In late 2021, we made the decision to invest 25 million euros in new packaging lines and palletisation modules in our coffee roastery in Helsinki, Finland. The new packaging lines not only enhance capacity and efficiency, but also allow for the use of recyclable materials for coffee packaging, thereby greatly supporting our sustainability ambition.

The investment, which will be implemented over the coming years, will renew the vacuum pack and palletising solution in Paulig's Vuosaari coffee roastery. The decision will also mean significant environmental benefits, such as reduced laminate and coffee waste. In Vuosaari, 100 million coffee packs are produced a year, with more than 200 end products.



veloped and tested various structures while keeping in mind that the packaging still has to preserve the quality of the product and not to increase food waste.

We are constantly testing and striving to overcome the challenges related to using recyclable packaging, such as ensuring an adequate shelf-life and puncture resistance in our tortilla packaging. In our efforts to develop recyclable coffee laminates, we have conducted extensive testing with various types of packaging to resolve issues such as ensuring the tightness of the packages.

We have already made significant progress in the development of more sustainable packaging. We have successfully reduced the carbon footprint by increasing the use of renewable raw materials, such as paper and plant-based materials, in our packaging materials. The significant investment in packaging lines at our roastery in Helsinki ensures the ability to begin transi-

tioning from multilayer plastic coffee packages to recyclable ones during 2023.

Recycling still needs boosting

As the term recyclability is still not officially defined within the EU nor globally, we need to have several different solutions in the reserve, depending on which materials can be recycled efficiently into new products in various markets in the future. To guide our own work, we created internal rules for recyclability based on CE-FLEX (Circular Economy for Flexible Packaging initiative) guidelines.

The recycling processes, as well as attitudes towards taking the effort to sort waste, vary greatly in different markets. We strive to make it easy to sort empty packages and we give advice on packaging to consumers on how to sort them.

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

Halving food loss by 2030 is a joint challenge

One third of the edible food produced globally is wasted. Food is wasted at every step of the value chain, due to reasons such as crop failures caused by weather events, improper storage, and poor planning in our kitchens. To do our part, Paulig aims to reduce food loss in the value chain by 50%.

In 2023, we will launch a new strategic sustainability initiative



We have successfully reduced the carbon footprint by increasing the use of renewable raw materials, such as paper and plant-based materials, in our packaging materials.

for 2023–2025, focusing on reducing food loss. We will begin by collecting baseline data and identifying best practices as well as the support needed, starting with our own production and gradually addressing food loss prevention throughout the value chain.

Encouraging young people to tackle food waste

Food waste is a global problem, and one of its causes is weakened kitchen skills. To address this, in 2021, Paulig partnered with the Natural Resources Institute in Finland to develop a unique food waste calculator that has already been used over 71,000 times.

To complement the calculator, we created a comprehensive educational package on food waste that can be used in home economics classes in primary education. Our goal is to help young people understand and reduce their own and their families' food waste. Many schools in Finland have already expressed interest in using this material, and it is available to anyone interested in the topic.

Minimising waste from production

We have set the target of a 100% recycling rate for our own operations' waste by 2030, and laid a site-specific roadmap addressing

Food waste calculator created in collaboration with Paulig and Natural Resource Institute in Finland has been used over 71,000 times.

the waste generated and its proper sorting and recycling. In 2022, we achieved an average recycling rate of 86%. The amount of waste increased mainly due to a considerable growth in production volumes. However, the waste generation in relation to production output remained the same as in prior years.

In our own operations, we follow the avoid, reduce, reuse and recycle principles. Approximately 75% of our total waste generated is food-related, mainly non-marketable and by-products deriving from our production. Most of that is recycled as animal feed,

EU packaging targets need support from all stakeholders

The EU's Circular Economy Package proposal published in November 2022 included Packaging and Packaging Waste Regulation with the aim of preventing and reducing packaging waste and boosting closed-loop recycling. The proposal includes mandatory targets for recycled materials in plastic, and mandates e.g., cafés and restaurants to switch to reusable instead of single-use packaging in their take-away containers. For example, in the hospitality sector, 20% of takeaway beverage sales need to be provided in reusable packaging by 2030.

The EU's proposal has been criticised for lacking scientific evidence to support its claimed environmental benefits and for being unrealistic about the maturity of the recycling and

recycled materials market, which may not be able to meet the proposed targets.

At Paulig, we support a clear roadmap and targets towards circular packaging, but at the same time, we emphasise the importance of basing these plans and targets on the scientific evidence of the environmental benefits of different actions.

We have already begun exploring ways to reduce waste in our coffee shop, Café Kulma, in Helsinki. In partnership with Kamupak, we have introduced a reusable take-away coffee cup system that operates on a deposit principle. Customers who choose to take their coffee with them in a reusable cup will pay a deposit for the cup and receive it back when they return the cup for cleaning and reuse.



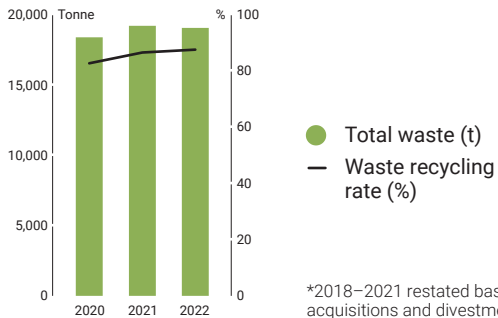
composted or used for biogas production. At our tortilla factories, the leftover tortilla dough is being reground, resulting in less dough waste.

We are delighted that part of the side stream from coffee production in our roastery in Helsinki is upcycled into a new hair product line of the Finnish cosmetics manufacturer Berner. These hair care products contain coffee oil which is refined by the Danish biotechnology company Kaffe Bueno – the same company that Paulig's venture arm PINC invested back in 2019.

Food loss reductions are reached through careful production as well as fine-tuning lines and machine settings. Furthermore, we enhance the recycling of packaging and other non-food waste from our facilities through the optimisation of transportation and packaging case size. Still, we have identified potential for further improvements, such as in our production planning and joint forecasting with customers to minimise the amount of food and coffee that is scrapped from our warehouses.

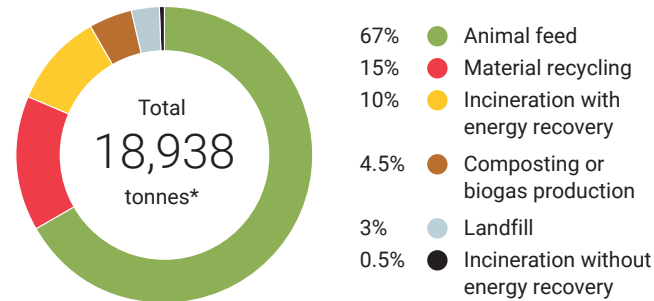


Total waste and recycling rate 2022*



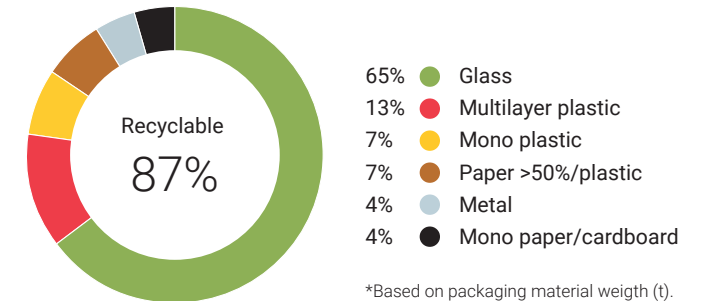
*2018–2021 restated based on acquisitions and divestments.

Total waste by disposal method 2022



*Not including volumes sold as II-quality or donated for human use

Packaging material usage and recyclability 2022*



*Based on packaging material weight (t).

Key figures

Figures for 2018–2021 restated based on acquisitions and divestments.

Production volume (t)

	2018	2020	2021	2022	CHANGE 2018–2022
Paulig total	244,382	247,998	256,373	268,828	10%

Energy consumption by source (MWh)

	2018	2020	2021	2022	CHANGE 2018–2022
Natural gas	111,260	112,914	115,739	124,495	12%
Purchased electricity	67,240	73,843	73,124	72,402	12%
Produced electricity*	575	598	1,216	2,830	8%
Bio gas	19,355	20,012	18,985	24,554	27%
Biomass (steam production)	8,150	9,547	11,154	14,330	76%
District heating	5,052	5,938	5,700	5,336	6%
Group total	211,632	222,852	225,918	243,947	15%
<i>Energy intensity MWh/tonne product</i>	<i>0.87</i>	<i>0.90</i>	<i>0.88</i>	<i>0.91</i>	<i>5%</i>
Share of renewable energy	25%	49%	49%	49%	97%

*Includes electricity from solar panels.

Electricity by source 2022 (MWh)

	MWh	%
Hydro	52,781	70%
Wind	19,061	25%
Solar	2,830	4%
Gas power station	0	0%
Biomass power station	730	1%
Total electricity	75,402	100%

GHG emissions by scope (tCO₂e)

	2018	2020	2021	2022	CHANGE 2018–2022
Scope 1	22,141	23,486	24,144	23,769	7%
Scope 2 (market-based)	7,053	39	40	36	-99%
<i>GHG intensity, tCO₂e/tonne product (Scope 1 and 2)</i>	<i>0.12</i>	<i>0.095</i>	<i>0.094</i>	<i>0.089</i>	<i>-26%</i>
Total, own operations (Scopes 1–2)	29,194	23,525	24,184	23,805	-19%
Scope 3 (value chain emissions)*	609,692	561,495	600,114	592,524	-3%
<i>GHG intensity, tCO₂e/tonne product (Scope 3)</i>	<i>2.49</i>	<i>2.26</i>	<i>2.34</i>	<i>2.20</i>	<i>-12%</i>
Paulig total (Scopes 1–3)	638,886	585,020	624,298	616,329	-4%
<i>GHG intensity, tCO₂e/tonne product (Scopes 1–3)</i>	<i>2.61</i>	<i>2.36</i>	<i>2.44</i>	<i>2.29</i>	<i>-12%</i>

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

GHG emissions share, scope 3 (tCO₂e)

	2018	2020	2021	2022
1. Purchased goods and services	477,439	439,097	470,023	472,518
2. Capital goods	8,506	10,432	17,135	14,358
3. Fuel and energy related activities	5,321	4,528	4,470	6,060
4. Upstream transportation & distribution	15,208	15,079	17,160	16,794
5. Waste generated in operations	193	357	518	510
6. Business travel	3,089	329	236	982
7. Employee commuting	2,263	2,067	2,149	1,894
8. Downstream transportation & distribution	10,232	9,435	8,015	8,284
9. Use of sold products	73,060	66,018	66,297	57,718
10. End-of-life treatment of sold products	14,381	14,153	14,111	13,406
Total Scope 3	609,692	561,495	600,114	592,524

Total waste by disposal method (t) 2022

	2020	2021	2022
Sold or donated for human use	206	203	182
Animal feed	11,535	12,260	12,652
Incineration with energy recovery	1,908	2,050	1,982
Material recycling	2,805	2,991	2,767
Composting or biogas production	1,030	960	855
Landfill	638	577	594
Incineration without energy recovery	313	252	88
Unspecified	51	4	-
Total waste (t)	18,280	19,093	18,938
Waste recycling rate (%)	85%	86%	87%
<i>Total waste (t)/tonne product</i>	<i>0.07</i>	<i>0.07</i>	<i>0.07</i>

Packaging material usage and recyclability 2022

MATERIAL	PACKAGING TOTAL WEIGHT (T)	RECYCLABLE %	MATERIAL TYPE % FROM TOTAL
Glass	20,946	100%	65%
Multilayer plastic	4,111	1%	13%
Mono paper/cardbord	1,430	100%	4%
Paper >50% /plastic	2,162	100%	7%
Mono plastic	2,264	95%	7%
Metal	1,439	100%	4%
Total	32,352	87%	100%

Water consumption (m3)

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

	2020	2021	2022
Group total	168,476	179,390	177,692
<i>Water consumption (m3)/tonne product</i>	<i>0.65</i>	<i>0.67</i>	<i>0.66</i>

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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 risk areas come from sustainable sources verified by external parties. We continue to develop our values-driven company culture to ensure that all of our employees perceive Paulig as a fair and inclusive company. We want to build an engaging work environment with a culture that strongly supports safety and wellbeing at work.





AMBITION 2030

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

Road to our ambition

We want to be seen as a fair and inclusive employer and partner for all. Our ambition is that by 2030 all our raw materials from risk areas come from sustainable sources verified by external parties. This requires building resilient and sustainable supply chains on a foundation of long-term collaboration and trust. It is crucial for us at Paulig to co-operate closely with our suppliers and other key stakeholders that share our values and commitment and possess the right capabilities to enable progress towards our aspirations for sustainable development.

As one of the tools for reaching our ambition, we have defined a basket of sustainability standards and verification methods that we accept. During 2022, we provided training to relevant internal and external stakeholders on these methods.

An important raw material category for achieving our ambition

is spices and herbs. We have decided to focus one of our strategic sustainability initiatives on developing roadmaps for spice value chains' external sustainability verifications.

During 2022, we expanded our focus from the first three spices, black pepper, onion and Indian chillies to cover also oregano, cumin and turmeric. In 2022 our target was to have 50% of the total sourced volumes for these six spices from externally verified sustainable sources, and 51% was achieved. The next goal is to have 70% by the end of 2023.

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





Our people

At the end of 2022, we employed 2,271* (2,258 in 2021) professionals in 13 European countries. Our employees work both in direct production roles, in warehouses as well as at our offices.

There were three major changes to our operations during 2022 that also involved our people.

In January 2022, Paulig announced the acquisition of the Spanish snacks producer Liven and during the year, we together planned and began the integration to Paulig's operating model. Since early 2022, Liven and its approximately 300 employees based in Spain have been part of the Paulig team. In parallel with the welcoming and integrations, the teams have already developed and launched the first products together.

In March, Paulig announced the sale of the Gold&Green brand, intellectual property and the R&D function. Gold&Green Foods started co-operation negotiations, and as a result, the employment relationships of 57 employees were terminated.

Paulig's withdrawal from Russia as a reaction to Russia's attack on Ukraine also had an impact on employees. In the transaction, the Paulig operations in Russia, including the coffee roastery in Tver and 200 employees, were transferred to the new owner in May.

*Total workforce, of which 2,184 were active employees at year end.

Building winning and respectful teams

Our engaged employees are a great 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 listening carefully to our employees.

During 2022, we continued the WeLearn Commercial Excellence program with modules on negotiation and sales skills. Under the umbrella of the future strategy planning, we worked on

CASE

Towards more equal and inclusive working life

Human rights and equity are core values for Paulig and are included in the company's Sustainability Approach 2030. For the second year in a row Paulig partnered with Helsinki Pride – the biggest culture and human rights event focused on the sexual and gender minorities in Finland.

The partnership with Helsinki Pride highlights that Paulig wants to lead the way towards a more equal and inclusive working life and society – not only during Pride Week but every day.

It is important that work for gender equality and human rights is done not only by individuals but also by organisations. The general language and communication of companies significantly influences how employees perceive the atmosphere. The partnership with Pride Week enables discussion about human rights, creates a space for individuals to be visible and highlights Paulig's commitment to the issue. We continue to develop our values-driven company culture to ensure that all our employees perceive Paulig as a fair and inclusive company where they feel safe to be their true self.



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identifying the key people development themes for the up-coming strategy period. We will carry on running our other development programs, such as Leading the Paulig Way and Commercial Excellence programs, and work on change management as part of the big change initiatives within the company.

In 2022, a new learning platform was designed to support our employees in continuous learning by providing easy access to our learning offering. Via the platform, our new employees have access to all compliance trainings, among other resources, right from the beginning. In these mandatory trainings, we underline the importance of safety and behaviour that is ethical and respectful in all of our operations.

We promote equity through development and career planning so that all Pauligians are treated equally no matter their age, gender, reduced capacity to work or other personal characteristics. The implementation of these commitments is ensured through annual monitoring, discussions in work councils and the support of an inclusive recruitment policy. Moreover, we support Pauli-

gians so that everyone can balance and fulfil both their work and family responsibilities.

Listening and connecting with Pauligians

We want to listen carefully to Pauligians' expectations, experiences and perceptions. Our employee engagement survey, OurVoice, measures different aspects of Pauligians' engagement as well as strategic, safety, sustainability and leadership related themes. We take development actions based on the topics identified in these surveys.

Many of our teams have identified that there is a clear need for re-connecting with each other after the pandemic and amid the uncertain global times. In 2022 there were several team development sessions where the teams discussed any relevant topics for them, such as psychological safety, trust, and feedback, to mention a few.

Our performance management process, WeGrow, is tightly aligned with our strategy and the whole process is embedded in

our day-to-day leading. The main characteristic of the process is an ongoing dialogue between employee and supervisor to enable feedback and coaching at the right moment. The purpose of the process is to offer a framework and tools to have impactful dialogue on goals, development and performance within the teams. It also places Pauligians in the driver's seat of their own performance and professional development. As the process is closely connected to our strategy, each Pauligian has a clear goal that supports our sustainable growth ambition.

Level UP the training process in production

As some 51% of our people work in production, we put a special emphasis on our production employees. We want not only to support the performance from day one when new Pauligians start their work at Paulig production, but also to make it easier for everyone to be trained in new and more advanced roles.

Thus in 2022, we created a roadmap and started initiatives within a program called Production Work Excellence that includes training and new ways of working in our production teams at all Paulig sites.

Within the program, there is an initiative called Level UP that aims to bring our onboarding and training process for production workers to the next level by improving our training roles and responsibilities, creating clear training documents and focusing on

We promote equity through development and career planning so that all Pauligians are treated equally no matter their age, gender, reduced capacity to work or other personal characteristics.

the training skills of our trainers. This is done site-by-site and starts with a detailed analysis of the current situation to ensure we focus on and adapt to what each production site needs most.

The Level UP initiative was first started in our Belgium factories, continuing to Milton Keynes in Great Britain in 2022 and other locations in the future. Since its start, Level UP has been highly appreciated in our production sites and we have seen many positive results. We are very proud of the train-the-trainer concept, clear roles and streamlined and automated training administration.

Hybrid work is here to stay

In our offices, we have continued to utilise the positive learnings from remote work which we started using widely during the pandemic. Our hybrid work model aims to find a balance between office and remote work, while ensuring we create the best possible settings for collaboration for everyone. Naturally, the possibility of hybrid work depends also on the role.

For our teams and leaders, the remote work will nevertheless be the normal way of working due to international teams located in different countries and locations. We have supported our leaders with various trainings and activities on leading remotely.

CASE

Wider perspectives through internal rotation

At Paulig, the development of our people contains also the internal job rotation possibilities. Many Pauligians gain a wider perspective on the business and broaden their competences through rotation benefiting both personal development as well as Paulig's needs. During 2022 we expanded the international job rotation possibilities and launched also short-term job rotations.

One of our short-term assignees was Ida Vironen.

"I work as product developer in the R&D Drinks team in Finland. In autumn of 2022, I spent three months in job rotation in the Belgian product development team.

Via the job rotation, I wished to get international experience and broaden my view of the field of product development. The job rotation has, indeed, answered very well to that. It has been an interesting journey to dive in the world of tortillas and to learn about the business and processes.

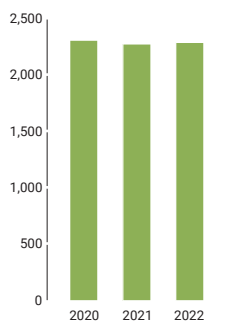
At the same time, it was a unique experience to work

abroad and get to know a local culture. Regarding the practicalities, moving to Belgium went smoothly as the local team was very welcoming and support was available at every moment.

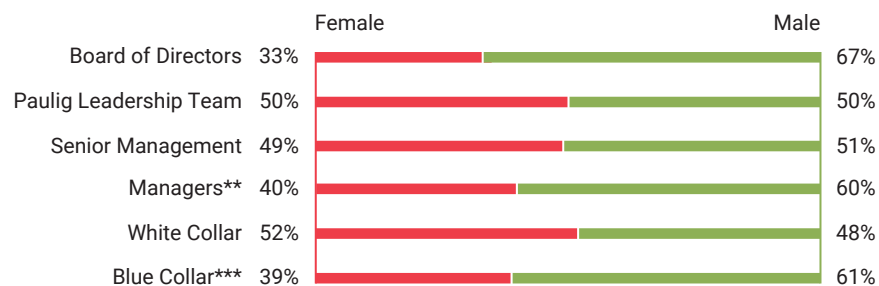
After my experience, I would highly recommend the international job rotation!"



Paulig personnel 2020–2022

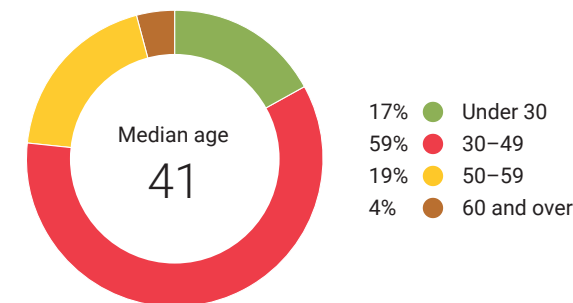


Gender by position 2022*



*Situation December 31st 2022 **Managers leading a team
 ***Production, warehouse and restaurant workers

Age groups 2022



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The next step in developing our safety culture is based on focusing on several key behaviours, such as speaking up, thinking ahead, recognition, and the power to stop.

Healthy and safe workplace

At Paulig we cherish the health and safety of our employees. Due to the unwanted development of our accident rate, we needed to make a step toward change and focus on further embedding safety in our activities. We designed a new phase to our “Yes we care” safety culture programme by starting a pilot in one of our sites that encountered a negative incident trend.

This next step in developing our safety culture is based on focusing on several key behaviours, such as speaking up, thinking ahead, recognition, and the power to stop. We have further enhanced our preventive measures, such as safety walks, shift start-up meetings and regular safety trainings. After the launch of the pilot project, we will embed the lessons learnt and implement the programme at all our Paulig manufacturing sites.

To further step up our work in this area, we established the Paulig Health & Safety Steering Council, chaired by the CEO along with other members of the Paulig Leadership Team and EHS (Environment, Health and Safety) team. The objectives of the council are to establish the Paulig health and safety strategy, to make Paulig a leader in EHS preventive culture, provide strategic, proactive leadership and ensure governance of all EHS initiatives.

To ensure we are operating according to the local requirements in all our sites in different countries, we run a legal compliance audit programme. Through the programme, our sites were audited during 2021–2022 by an external expert.

Identifying and minimising the risks

In order to facilitate the quick and prompt reporting and handling of identified observations and incidents, we have implemented a Paulig wide reporting system. This central tool helped to govern over 7,700 observations with a closing rate of 94% for 2022. In 2023, we will further enhance the use of the tool for our risk assessments.

Based on our nine safety rules we have identified the highest occupational risks for Pauligians and started to develop the seven life-saving guidelines for which we will define the minimum requirements. The development will be launched throughout the coming three years, and during 2023, the focus will be on defining the minimum rules for personnel protective equipment and on internal traffic management.



CASE

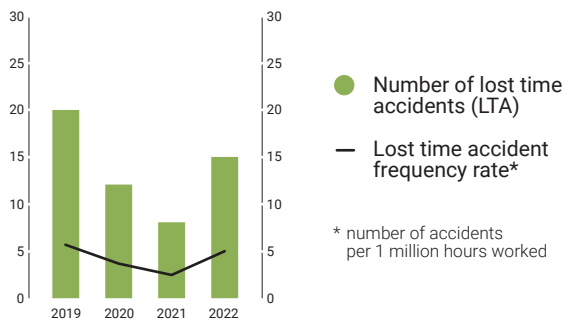
Safety starts with you!

To promote our "Yes we care" safety culture, we underlined health and safety throughout Paulig during the European Safety week in October 2022. Based on the European campaign, we launched several initiatives with the purpose to raise awareness of our safety work and measures in our factories and offices. The main message was "Safety starts with you!".

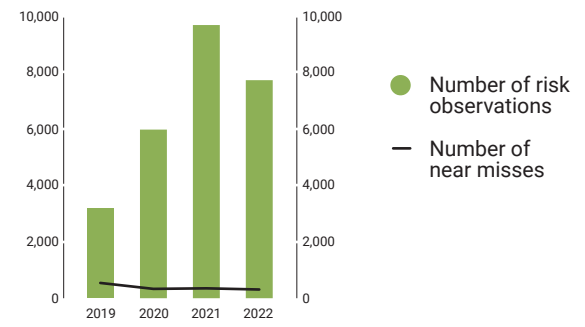
At all our sites, local initiatives were supported by visualisations, info screen messages, safety tips and email messages from the CEO and Paulig Leadership team. Each member of the leadership team has also given their personal commitment to safety which were published during the week.



Lost time accidents and frequency



Risk observations and near misses



Based on our nine safety rules we have identified the highest occupational risks for Pauligians and started to develop the seven life-saving guidelines for which we will define the minimum requirements.

Our nine safety rules

BEHAVE SAFELY

- I always follow safety instructions and set an example of safe behaviours for me and my colleagues
- I proactively contribute to an orderly and tidy working environment and follow the external and internal traffic rules
- I make sure to understand the safety risks before starting a task

COMMUNICATE SAFELY

- I speak up and intervene whenever I see an unsafe activity or behaviour
- I report every dangerous situation, near miss and/or accident
- I always address safety topics in my meetings

YES, WE CARE!

OPERATE SAFELY

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

- I watch out for danger of falling, sliding and tripping

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



Towards 100% verified sustainable sources

Our ambition is that by 2030 all our raw materials from risk areas come from sustainable sources verified by external parties. To reach the goal, it's vital for us to join forces with suppliers and partners who can support our sustainability aspirations as well as our emphasis on establishing external verifications. At the moment, we are creating improved reporting tools and working on data quality to improve our performance tracking and manage and guide our work.

We value long-term relationships with our suppliers. We acknowledge that developing responsible sourcing will necessitate the development of new skills and ways of working, both within and outside of Paulig.

Approximately 40% of our purchasing spend is associated with raw materials that come from countries that are classified as risk areas by amfori BSCI. Green coffee represents almost 80% of Paulig's risk areas sourcing spend and we have sourced all our coffee from sustainable verified sources since 2018. Now we are focusing on spices and herbs, a popular product category, which are mainly sourced from risk areas as defined by amfori BSCI (approximately 70% of this raw material category volume in 2022).

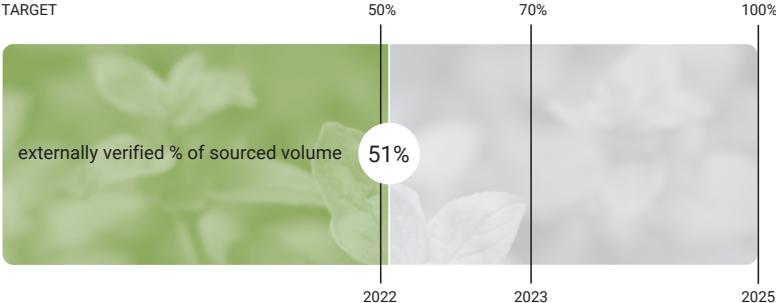
Sustainable sourcing of spices in focus

The diverse nature of Paulig's spice category and the complexity of the spice value chains, which often involve many smallholder farmers, makes verifying the sustainability a challenging task. Yet, it highlights the importance of continuous development approach in partnership with our suppliers.

As part of our strategic sustainability initiative focusing on spice value chain external verifications, in 2022 we broadened our focus to include oregano, cumin, and turmeric in addition to our initial focus on black pepper, onion, and Indian chillies. With these six spices we cover approximately 50% of the risk country sourcing volume (kg) in the herbs and spices category. We have established spice-specific roadmaps to monitor progress towards our goals. Our efforts are prioritised based on sourced volume and potential risks in the supply chains such as presence of seasonal and low-skilled workforce, health and safety considerations and child labour. Supplier capabilities in delivering sustainably sourced materials play an important role.

Currently, we have set targets for sustainable sourcing for these six spices. In 2022, the target was to have 50% of the sourced volumes (kg) from externally verified sustainable sources.

Sustainable sourcing of spices



Spices in scope

- Black pepper
- Indian Chillies
- Onion
- Oregano
- Cumin
- Turmeric

As our supply chains are part of larger sustainable food systems transition and subject to increasing due diligence expectations, it is crucial to advocate for a fair and inclusive approach.



We achieved 51%, and the goal is to hit 70% by the end of 2023. In 2022, the reported figures are, for the first time, verified by our external assurance service provider. The assurance covers the reported KPI: volume share of sustainable sourcing for the six spices in scope.

During the year we evaluated how the integration of Paulig's newly acquired operations in Spain would impact our current strategic targets with sustainable sourcing of spices. We concluded that there is no need to adjust agreed targets or the time schedules for their implementation and we can proceed as planned.

Developing supply chains that support sustainability

When aiming to be a sustainable frontrunner, it is important to choose your partners well, work with them closely and build the right toolbox to manage the risks and tap into the opportunities. As our supply chains are part of larger sustainable food systems transition and subject to increasing due diligence expectations, it is crucial to advocate for a fair and inclusive approach. This is particularly true for agricultural chains with a high number of smallholder farmers.

Our process for evaluating the sustainability risks associated with our supply chains includes country risk assessments, supplier self-assessments, and audits. In 2022 we continued to explore together with our partners and industry peers how the emerging due diligence expectations related to deforestation and human rights risks mapping could be facilitated by technical tools and collaboration.

We conduct a supplier risk assessment before starting collaboration with a new supplier and re-evaluate existing approved suppliers based on criteria such as major changes in business operations or stakeholder feedback. We have harmonised our processes for supplier approval across our sourcing categories.

In 2022, we updated the Paulig Code of Conduct for Suppliers to ensure it effectively supports our ambitions and aligns with the renewed amfori BSCI Code of Conduct. All of Paulig's suppliers have signed the Code, or we have accepted a supplier's own code as an equivalent.

We conduct our own sustainability audits to pursue in particular building common trust and knowledge with our suppliers and seek alignment of sustainability work. Together with external verifications they supplement our due diligence efforts and help us to mitigate risks as well as identify areas for development. We assess the supplier-specific risks and opportunities based on supplier questionnaires that are renewed every rolling three years. Since all our coffee comes from externally verified sources, in our own

Sourcing in figures

With more than 530 direct and 5,600 indirect suppliers and value chains stretching to nearly 70 countries, we have the opportunity to make a global impact.

We source both raw materials and contract manufactured products and partner with various service and logistics providers. Our purchasing spend in 2022 was roughly EUR 810 million, with the share of raw and packaging materials being approximately EUR 490 million.

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

Sourcing figures do not include operations in Spain.

audits we focus on other raw material categories. More than 90% of direct suppliers in risk countries are covered by our own audits.

During 2022, we were able to restart our own supplier audits, which were on hold during the pandemic times. We conducted five audits for the suppliers of oregano and other herbs, paprika and tomato powder, and cardamom. The main findings of these audits were related to health and safety, and integration of sustainability considerations into upstream supplier and supply chain management.

Following Russia's attack on Ukraine and Paulig's decision to withdraw our business, we started a due diligence process to map other possible business linkages to Russia and Belarus and to estimate potential supply chain disruptions due to the war's effect to sourcing ingredients from Ukraine. We also made the decision to halt new raw material purchases and reduce our energy dependency on Russia. The energy transition to alternative sources was completed during 2022.

We emphasise ongoing competence development for those working with sustainability and sourcing. Paulig's own employees conducting supplier sustainability audits must complete an SA8000 auditor training, and our sourcing and sustainability specialists receive capacity building on amfori's working methods and tools.

In order to drive sector-wide sustainable development, we collaborate with other industry representatives in the Sustainable

Spices Initiative and among the amfori BSCI community, promoting multi-tier audits and mutual learning

External verifications for sustainability in our supply chains

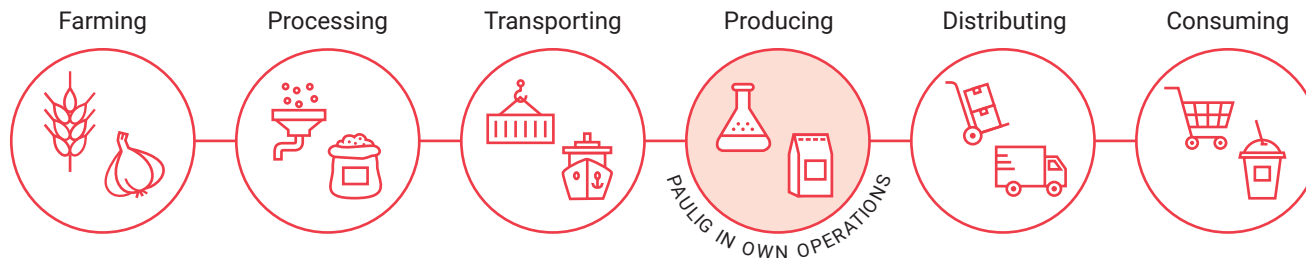
To reach our ambition of having all our raw materials from risk areas externally verified as sustainable by 2030, we will need to utilise the best practices, tools and collaborative projects.

As a first tool, we have defined Paulig's accepted standards and verifications for contract manufacturing products and raw materials coming from risk areas. The accepted standards and verifications comprise both social and environmental aspects, and we have started trainings for relevant internal and external stakeholders on these methods. Certifications are also one important way for us to verify sustainable sourcing, and the majority of our coffee, for example, is certified.

In contract manufacturing we are aiming for all the factories located in risk areas to be externally verified, and currently the audit coverage for those factories stands at 90%. In 2022, we initiated two amfori BSCI audits in manufacturing sites in Colombia and Thailand, and one multi-tier audit in Peru. In one of these audits, a zero-tolerance case was discovered related to bonded labour: withholding of passports in exchange for reimbursement of recruitment fees. The passports have been returned, and monitoring of other corrective and remedial actions is on-going.



Our value chain



Supporting communities

In addition to having a great opportunity for positive impact, we also have the responsibility to mitigate the risks in our value chain. Our community work in coffee and spices value chains focuses on mitigating the impacts of climate change and securing livelihoods for farmers. Furthermore, children and young people have always been at the heart of our initiatives, and we want to contribute to the wellbeing of families and future generations. The pandemic times have only further amplified the importance of the work and long-term commitment.

Partnering to make an impact

In our coffee supply chains, we have built a strong foundation of partnering with our strategic green coffee suppliers that enabled

starting new climate and regenerative agriculture projects ([read more on page 42](#)). Paulig currently supports coffee partnership programmes in 12 countries, in co-operation with International Coffee Partners (ICP), coffee&climate initiative, and global green coffee companies.

Through the ICP, we finance and participate in initiatives that enable tackling some of the most severe challenges facing the smallholder coffee farming communities. ICP's vision is to contribute towards establishing a fair and sustainable coffee sector in all coffee-producing regions and countries. The current projects are taking place in Brazil, Honduras, Ethiopia, Uganda, Tanzania and Indonesia.

A key element is measuring the outcomes and the impact cre-

ated and sharing the learnings accumulated along the way, a successful example of which is a seven-year programme (2013–2020) in Tanzania where smallholder families and farmer organisations showed that advancing their cooperation improves rural livelihoods. The Coffee Farmer Alliances of Tanzania (CFAT) approach promoted the establishment and professionalisation of member-driven farmer organisations as service providers and motors of change. The programme also supported farmer families to improve their competitiveness and raise agricultural production.

An independent impact evaluation demonstrated clear progress in establishing basic organisational and institutional infrastructure. The evaluation confirmed that this resulted in changing



Examples program results: ICP Coffee Farmer Alliances of Tanzania (CFAT), 2013–2020



26,000+

Smallholder families reached (105% of target)



YOUTH

390 youth trained in business skills, gender sensitivity and mentorship
146 youth started their own business



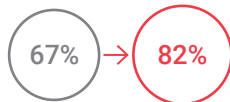
FARMER ORGANIZATIONS

91 AMCOS (Agricultural Marketing Cooperative Societies)
746 village based Farmer Organizations supported



LIVELIHOODS

Share of households rising above the poverty line increased (2016–2020)



CLIMATE CHANGE

Adoption of Good Agricultural Practices: Erosion control increased (2016–2020)



GENDER

Share of female members with a leadership position in farmer groups increased (2016–2020)



smallholder families' mindsets in entrepreneurial farming and sustainable agriculture, the dissemination of Good Agricultural Practices (GAP), aiming for higher production and less environmental damage, improvements in household resilience through crop diversification, sensitisation of households with respect to gender roles, and entrepreneurial development of youth.

Backing the future generations

We want to be an active member of society, and as a family-owned company, our focus is on contributing to the well-being of the future generations. Supporting children and young people has positive and long-term impacts on the society at multiple levels.

Paulig's new sponsorship guidelines steer our focus on fewer, bigger, and bolder sponsorship programs to increase our impact. Our sponsorship programs are now focusing on supporting

Paulig's new sponsorship guidelines steer our focus on fewer, bigger, and bolder sponsorship programs to increase our impact.

CASE

Aiding children returning to schools after the pandemic

India is the world's largest spice-producing country and an important supplier of Paulig's Santa Maria spices and herbs. At the same time, the country is stricken by poverty, not least in rural areas. With this in mind, Paulig wants to support the spice-growing communities.

When the pandemic hit, concerns arose that the future of thousands of children, particularly those from disadvantaged communities in India, would be jeopardised due to the closure of schools. The children who needed extra academic support were the most vulnerable and at risk of never returning to school, and at risk of falling into the trap of exploitation.

That is why we decided together with Save the Children to continue our work in the 30 villages in Andra Pradesh area of India during 2022. The main objective of this Bridge project was to mitigate the risk of child labour by facilitating the accessibility of education and protection of services during and after the pandemic lockdowns.

The project has yielded good results, as 1,448 children were withdrawn from seasonal chilli farming and enrolled back in schools with an excellent 95% attendance rate. Furthermore, over 3,300 children are engaged in schools through mobile resource vans equipped with audio-visual aids and books, and with Academic Support Fellows volunteer aid.



Photo: Save the Children/GCCU

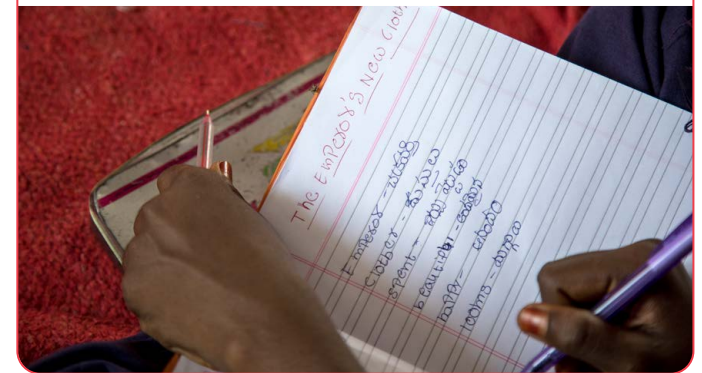


Photo: Save the Children/GCCU

children and families in need, as well as on healthy lifestyle and environmental awareness and initiatives.

In 2022, we wanted to contribute and help the children affected by the war in Ukraine. As a company we donated more than 100,000 euros to help families in need. We also organized a donation for our employees to take part in.

In Finland, Paulig is the main partner of SOS Children's Village, and committed to long-term co-operation. We support the development of the "Läksyapu" service, helping with homework. Young people dropping out of school has become a serious social problem after the prolonged pandemic. The Läksyapu service is being developed to help young people, especially those in vulnerable situations, on their school path. As part of the SOS Children's Village co-operation, Paulig also supports "Apuu" chat, a service where children can seek help if they feel unsafe or threatened. Via the chat, child welfare professionals and trained on-call workers help children and ensure they have access to help. Approximately 100 children seek help through the service every day.

In 2022, we wanted to contribute and help the children affected by the war in Ukraine. As a company we donated more than 100,000 euros to help families in need.

CASE

Inclusive Communities of Practice

Paulig is a founding member of the initiative for coffee&climate (c&c), a partnership of leading coffee companies, public actors and local communities, with the target of increasing the climate resilience of coffee landscapes and supporting sustainable rural livelihoods. To date 136,464 beneficiaries have been trained on climate-smart techniques.

One key element in the initiative is called Communities of Practice (CoP), that unite locally members of the private sector, institutions, and farmer organisations. All members share the interest of increasing the climate resilience of entire coffee landscapes, sharing best practices, and supporting the development of joint sector solutions. Building on successful experiences with the development of CoPs in Brazil, c&c's goal is to scale this approach and promote CoPs at a global level. In Central America, c&c has been working with Hanns R. Neumann Stiftung (HRNS) and other local partners to establish new CoPs in the region.

An inclusive way of working and especially integration

of young people and women in this work is essential. In 2022, there were two CoPs established in Honduras' Trifinio region with a special focus on how to achieve an inclusive way of working. With a total of 13 active members, including organisations, government institutions, and farmer organisations, the "Inclusion CoP" is developing solutions for women. It offers improved services, creates inclusive actions to support their participation in the coffee value chain, accelerates gender equality actions, and promotes positive gender norms at a community and institutional level. Through a series of monthly forums, presentations, workshops, and meetings, the CoP is also addressing decision-making power, even distribution of responsibilities among household and farm work, access to production resources, and leadership roles, among other topics.

The engagement in the events around this theme has been strong from the community members and the next step is to implement practical actions to advance gender equity and inclusivity in all organisations participating.



Key figures

Health & Safety

During 2022, there was an unwanted development in our accident rate. In order to counter this, we are deploying a safety culture plan at our key sites and developing our life saving guidelines.

	2019	2020	2021	2022	TARGET 2022
Number of Lost Time Accidents (LTA)	20	12	8	15	
Lost Time Accident Frequency rate*	5.6	3.6	2.4	5.0	2.2
Number of Lost Time Days (LTD)	292	175	60	249	
Number of near misses	512	300	322	285	
Number of risk observations	3,170	5,946	9,660	7,707	10,142

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

Externally verified sustainable sourcing

	2021	2022	TARGET* 2025
Share of sourced volumes of top spices** from externally verifies sustainable sources	32%	51%	100%
Green coffee	100%	100%	100%
Contract manufacturing sites in high-risk countries externally verified for sustainability	75%	90%	100%

*Target year was extended to 2025 following the change of the scope for the sustainable sourcing of spices.
**Scope 2021: black pepper, onion, Indian chillies; Scope 2022 onwards: black pepper, onion, Indian chillies, turmeric, oregano, cumin.

Sourcing spend from high-risk areas* 2022

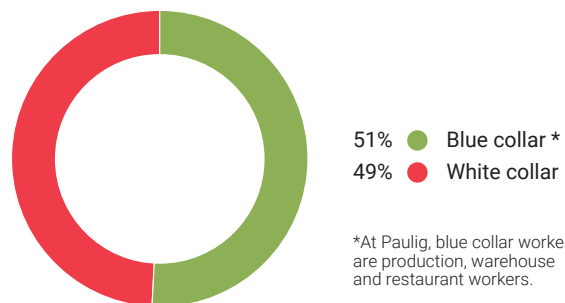
Green coffee	79%
Raw materials	12%
Traded goods	7%
Packaging materials	2%

*Classified as risk areas by amfori BSCI. Category *Others* removed as insignificant.

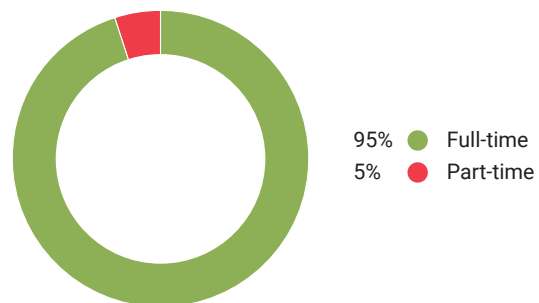
Personnel

Figures as per 31.12.2022.

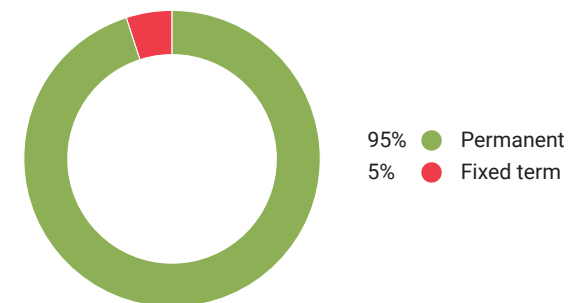
Personnel groups



Employment type



Employment contract



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About the report

This Sustainability Report covers Paulig Group for the year 2022. The contents of the report and the selected indicators are based on the Paulig Sustainability Approach 2030.



Reporting principles and scope

This Sustainability Report covers the whole Paulig Group (corporate ID 0112563-0) for the year 2022. The contents of the report and the selected indicators are based on the Paulig Sustainability Approach 2030. Indicator-specific boundaries are stated separately, where relevant.

In this report, the Global Reporting Initiative standards (GRI, 2021) are applied where possible and relevant. In addition, the Food Processing Sector Specific Disclosures relevant to Paulig's operations are reported. The report also follows the requirements set by the European Union's Non-Financial Reporting Directive.

During 2022 and on a continuous basis, we have reviewed and further developed our environmental reporting processes and definitions to improve the quality of the data. This has led, however, to decreased comparability between the years for some indicators, out of which the material ones have been addressed in the report.

In 2018, we conducted a screening analysis for our full value chain climate impacts in addition to monitoring our own operations' climate impacts in order to be able to set the science-based climate targets. However, as the baseline calculation was done based on limited primary data relying on industry averages and many assumptions, we are in a continuous process of refining the baseline as we get more granular, better-quality data from our own value chains. In 2022 reporting in addition to refined emission factors, we have adjusted the baseline year to reflect significant changes in our organisational structure that took place. Paulig exited from Russia, divested from Gold&Green Finland Oy and acquired the snacking company Liven in Spain. Changes from these transactions have been accounted for to the extent possible in the GHG emissions in 2018 and consecutive years so that the GHG emissions performance in coming years better reflects actual on-going activities instead of structural changes.

Data collection and reporting

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

Health and safety as well as environmental data (incl. waste, GHG emissions, energy use and water consumption) are reported

for our production sites, controlled warehouses and material of-fice facilities. Emissions from small offices (fewer than 10 employees) in the Baltics 2018–2021 are excluded from the total of our own operations calculations due to them being relatively insignificant to the total scope 1 and 2 emissions. Emissions from warehouses operated by external service providers are captured as part of scope 2 purchased goods and services.

Greenhouse gas reporting follows the Greenhouse Gas Protocol. A more detailed description of the GHG inventory and calculation methodology is in a separate document: [link](#).

For the sustainable sourcing of spices strategic initiative, we have selected a group of six spices as a priority and set targets for the share of sustainably sourced volumes (kg) out of the total combined sourcing volume of the six spices in scope. The spices in scope are black pepper, onion, Indian chillies, oregano, turmeric and cumin. We have developed roadmaps with our suppliers for how the agreed raw materials will become sustainably sourced in the agreed time frame. The sustainably sourced definition is based on Paulig's accepted basket of third party certifications and verification methods.

The agreed volumes are sourced through purchasing agreements and information integrated into the ERP system. The information about the certifications/verifications will be automatically transferred from purchase agreements to the purchase orders. The volumes are tracked on arrival and we have developed at the beginning of 2023 a dashboard to follow-up the overall progress in sourcing of the six spices in scope through a Power BI report.

External assurance

The greenhouse gas emissions (Scopes 1–3) as well as the reported KPI for the sustainable sourcing of spices have gone through an external independent assurance provided by Paulig's financial auditor Ernst & Young. The assurance statement appears [on page 72](#).

List of climate projects used for our own operations and Mundo coffee climate neutrality certification

- Chocó-Darién Rainforest Conservation REDD+ (Colombia) – VCS and CCBS verified forest conservation project.

- Community Reforestation (Kenya and Uganda) – VCS and CCBS verified reforestation project.
- Rimba Raya REDD+ (Indonesia) – VCS and CCBS verified forest conservation project.
- Acre Amazonian REDD+ (Brazil) – VCS and CCBS verified forest conservation project.

Memberships of associations

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

- Consumer Goods Forum (CGF)
- Food & Drink Europe (FDE)
- The Finnish Food and Drink Industries' Federation (ETL)
- The Swedish Food Federation (Livsmedelsföretagen, LI)
- Belgian Federation for Bakery
- The Estonian Food Industry Association
- Federation of Dutch Grocery and Food Industry (FNLI)
- DLF Sweden, Grocery Suppliers Association (DagligvaruleverantörernasFörbund)
- Swedish Flavour and Spice Association (Arom & Krydd Föreningen)
- Spanish Snacks Association
- amfori BSCI
- Coffee & Climate (ICP initiative)
- European Coffee Federation (ECF)
- European Spice Association (ESA)
- European Snacks Association (ESA)
- Institute for Scientific Information on Coffee (ISIC)
- International Coffee Partners GMBH (ICP)
- Roundtable for Sustainable palm oil (RSPO)
- Sustainable Spices Initiative (SSI)
- The Finnish Packaging Association
- Estonian Responsible Business Forum (Vastutustundliku Ettevõtluse Foorum)
- Finnish Business & Society (FiBS ry)

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Management systems in Paulig

AREA	CERTIFICATION	DESCRIPTION	TORTILLA FACTORY LANDSKRONA, SWEDEN	SPICE & MIXING FACTORY MÖLNDAL, SWEDEN	SPICE FACTORY SAUE, ESTONIA	COFFEE ROASTERY HELSINKI, FINLAND	COFFEE ROASTERY PORVOO, FINLAND	BA FINBAL	LIVEN SNACKS BERGA, PUIG-REIG, SPAIN	TORTILLA & CHIPS FACTORIES ROESELARE, BELGIUM	TORTILLA FACTORY MILTON KEYNES, UK	DISTRIBUTION CENTRE KUNGBACKA, SWEDEN
Quality/ Food safety	BRC Food	British Food safety standard							x	x	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					
	ISO 9001	Quality management systems				x	x	x				
	IFS	International food safety standard							x	x		
	EU organic	Organic production	x	x	x	x	x		x	x		x
	V-label	Vegan/vegetarian standard								x		
	BRC GFCP	BRC Gluten-Free Certification Progr.								x		
	Crossgrain UK	Gluten free standard in UK										
	Crossgrain SE	Gluten free standard in Sweden		x								
	AIB audit	Prerequisite and FS inspections AIB							x	x		
	Halal Certification	Halal certification (certain prod.)							x	x	x	
Kosher Certification	Kosher certification (certain prod.)							x	x			
E-label	E-label for weight control (cert. prod.)	x	x	x								
Customer standards		Customer food safety & quality standard							x	x	x	
Environment/ Sustainability	ISO 50001	Energy management system								x		
	ISO 14001	Environmental management system	x	x	x	x	x	x	x		x	x
	Fairtrade	Sustainable supply chain				x	x					
	RSPO	Palm oil certificate							x	x	x	
	SMETA 4 Pillar	Social, H&S, Environment, Business Ethics							x	x	x	
RFA/UTZ	Sustainable supply chain				x	x						
Health & Safety	ISO 45000	Health & Safety management system				x	x	x				
	SMETA 4 Pillar	Social, H&S, Environment, Business Ethics							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 45000 = Occupational health and safety

Independent accountant's assurance report

To the management of Paulig Ltd

Scope

We have been engaged by Paulig Ltd to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Paulig Ltd's (hereafter Paulig) greenhouse gas (GHG) reporting for the period from 1.1.2022 to 31.12.2022, in addition to the baseline recalculation for reporting periods of 1.1.–31.12.2018–2021, and percentage of Paulig's volume of top six (6) spices sourced from verified sustainable sources for the period 1.1.2022 to 31.12.2022 (the "Subject Matter") in Paulig's Annual Report 2022 (pages 38–45, 51 & 60) for the period 1.1.2022 to 31.12.2022.

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

Criteria applied by Paulig

In preparing the Subject Matter, Paulig applied the GHG Protocol standards (Corporate Accounting and Reporting Standard, Scope 2 Guidance, Corporate Value Chain Scope 3 Accounting and Reporting) and the Paulig's internal reporting guidelines related to spice sourcing (Criteria). Such Criteria were specifically designed for Paulig's sustainability reporting; As a result, the subject matter information may not be suitable for another purpose.

Paulig's responsibilities

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

Ernst & Young's responsibilities

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

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'), and the terms of reference for this engagement as agreed with Paulig on 17.10.2022. Those standards require that we plan and perform our

engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

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

Description of procedures performed

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

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

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

emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

2. Our procedures included:

- Creating an understanding of Paulig's material GHG and sustainable sourcing of spices reporting topics, the organization, and its activities,
- An assessment of suitability and application of the reporting principles regarding the stakeholders' needs for information,
- Interviews with senior management to understand Paulig's GHG and sustainable sourcing of spices management,
- Interviews with personnel responsible for gathering and consolidation of the GHG and sustainable sourcing of spices information to understand the systems and processes related to gathering and consolidating the information,
- Assessing GHG and sustainable sourcing of spices data from internal and external sources and checking the data to reporting information on a sample basis,
- Performing recalculation of information and checking the underlying data on sample basis which is the basis of narrative disclosures related to the data,
- Visited selected site where we assessed reporting practices.

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

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter in Paulig's Annual Report 2022 for the period 1.1.2022 to 31.12.2022 in order for it to be in accordance with the Criteria.

Helsinki, 24th March 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant



Financial information

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

Corporate governance 2022

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

Annual General Meeting

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

Board of Directors

Composition and tasks of the Board

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

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

Meetings

In 2022, the Board convened 10 times. The Board deals with the financial statements in March, finalises the Group's 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 informed about events in the company and the operating environment. Together with the CEO, the Chairman ensures that the notice, agenda and any necessary material for a meeting are delivered to the members of the Board as agreed before the meeting.

Board committees

The Board members decide on the appointment of committees and their members. The committees prepare matters for the decision of the Board. Paulig Ltd's Board has appointed an 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 respon-

sibly and according to 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 guiding Paulig Group's enterprise risk management have been determined in the risk management policy approved by Paulig Ltd's Board. According to 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 2022

In 2022, Paulig Group's revenue was EUR 1,105.5 million (966.3), an increase of 14.4 per cent on the previous year. The Group's operating profit was EUR 5.8 million (95.3), which was 0.5 per cent (9.9) of net sales. Paulig Group employed 2,278 people on average during the year (2,190).

Changes in the Group's structure during the financial year

The following changes took place in the Group's structure in 2022:

- Liven S.A.U. was acquired
- OOO Paulig Rus was sold
- Paulig Austria GmbH was established

Additionally, Paulig Group sold its Gold&Green brand, intellectual property and R&D function, and phased out the rest of its Gold&Green operations.

During the financial year a plan for the partial demerger of Paulig Ltd was registered and the Extraordinary General Meeting authorized the Board of Directors to decide about the execution of the partial merger, which is expected to take place in 2023.

Revenue

In 2022, Paulig Group's revenue was EUR 1,105.5 million (966.3), an increase of 14.4 per cent on the previous year. Price increases to address rising costs and inflation, as well as the acquisition of Liven S.A.U. were the main drivers.

Of Paulig Group's total revenue of EUR 1,105.5 million, 52 per cent came from the Nordic countries and 48 per cent from other countries. Business area Finland & Baltics accounted for 31 per cent of the external revenue, Scandinavia & Central Europe 29 per cent, Customer Brands 36 per cent and Other 4 per cent.

Result for the financial year

The Group's operating profit was EUR 5.8 million (95.3), and its ratio to net sales was 0.5 per cent (9.9).

The consolidated result for the financial year was EUR -19.9 million (85.3), which included EUR 3.5 million profit (4.7) from real estate sales associated with the sale of land areas in Vuosaari. Depreciation and impairment totalled EUR 43.1 million (42.1). The contribution of the associated company Fuchs Group to the con-

solidated result was EUR -21.6 million (4.0). The net financial items were EUR -20.6 million (11.6).

Furthermore, the war in Ukraine significantly accelerated the pace of global commodity and raw material inflation and impacted negatively Paulig's operating profit.

Financial position

The financial position remained good for the entire financial year. The total cash flow was negative during the financial year with the net cash flow from operations being EUR 61.7 million (86.2). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year totalled EUR 56.3 million (46.7). The most significant investments were related to the building of the new factory for Tex Mex production in Belgium.

Additionally, Paulig Group invested in the acquisition of Liven S.A.U.

REVENUE (MEUR)

	2022	2021	CHANGE
Finland & Baltics	345.9	301.8	14.6%
Scandinavia & Central Europe	316.7	303.5	4.3%
Customer Brands	398.3	286.8	38.9%
Other	44.6	74.1	-39.8%
Total	1,105.5	966.3	14.4%

KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2022	2021	2020
Revenue, MEUR	1,105.5	966.3	919.5
Other income, MEUR	11.0	9.8	9.8
Share of results in associated companies, MEUR	-21.6	4.0	8.7
Operating profit, MEUR	5.8	95.3	88.3
Operating profit, % of net sales	0.5	9.9	9.6
Operating profit before depreciation, amortisation and impairment, MEUR	48.9	137.5	137.8
Profit for the financial year, MEUR	-19.9	85.3	66.7
Shareholders' equity, MEUR	715.0	735.6	691.1
Return on equity, %	-2.7	12.0	10.0
Equity ratio, %	61.8	62.4	63.9
Cash and short-term deposits, MEUR	52.2	140.6	83.1
Interest-bearing liabilities, MEUR	149.9	157.8	122.0
Investments during the financial year, MEUR	56.3	46.7	36.7

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 on the basis of this policy.

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

The political risk associated with Russia was realized and the company withdrew and sold its assets in the country.

The Group's main strategic and operative risks remained the same during the financial year as in previous years. The principal strategic risks were changes in competition and consumer behaviour in different market areas. The principal operative risk involves raw materials, the availability and quality of which may vary significantly. In addition, speculative trading and political reasons can cause unexpected changes of the raw material 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 the 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 88 persons from the previous year. The majority of the Group's 2 278 employees on average were employed in Belgium (32 per cent), Sweden (19 per cent), Finland (17 per cent) and Spain (13 per cent).

PERSONNEL

	2022	2021	2020
Average number of employees	2,278	2,190	2,160
Employee benefit expenses, MEUR	147.8	143.6	137.1

Innovation and product development

Paulig's Marketing & Innovations function is responsible for the Group's brand building, innovation and product development activities. Innovation and product development play an important role in the development of the product portfolio and ensuring future growth. Innovation is a key success factor in driving growth and the new One Paulig innovation model enables regaining innovation leadership.

A total of 18 new product and service launches were carried out in 2022. Among them, were the introduction of new Juhla Mokka variants and new Santa Maria Tortilla chips – the latter in collaboration with Liven, a Spanish snacking and Tex Mex manufacturer that Paulig acquired early 2022.

In the financial year 2022 Paulig's venture arm PINC made investments in three new start-ups: a Swedish frozen food manufacturer For Real! Foods, a Dutch vegan cheese manufacturer Willicroft and a Danish bio-industrial company EvodiaBio. For Real! Foods produces nutrient rich frozen foods by replacing grains and additives with 100% natural ingredients. Willicroft is certified B Corp offering a range of plant-based cheeses, made by combining age-old techniques with planet-friendly ingredients such as beans and pulses. EvodiaBio manufactures aromatic compounds without needing to extract them from plants: the company uses a yeast precision fermentation process.

Sustainability

In 2022, Paulig continued the business integration of sustainability initiatives. The sustainability roadmaps and short-term targets were revised to reflect the challenges and changes in the company's structure.

Paulig's sustainability work is guided by Paulig Sustainability

Approach 2030. The approach is based on three prioritised United Nations Sustainable Development Goals and builds on the United Nations Guiding Principles on Business and Human Rights. Paulig's three focus areas with long-term ambitions are: health and wellbeing, climate action and circularity, and fair and inclusive way of working. Paulig's strategic sustainability development process determines how to monitor and consider the expectations of different stakeholder groups and the impacts of global trends and external factors on the approach.

The strategic sustainability initiatives for 2023–2025 were approved by the Board of Directors as a part of the business strategy.

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

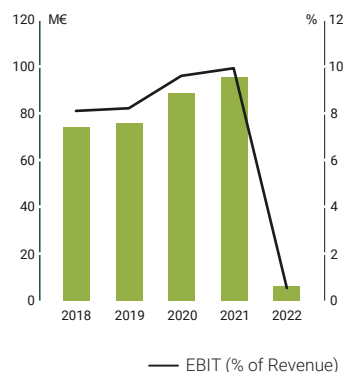
In 2022, Paulig extended the work to drive carbon reductions in the value chain. Collaboration with Lantmännen continued to reduce carbon emissions in the wheat value chain. In 2022, Paulig started coffee climate projects in the coffee origins to encourage the implementation of climate-smart farming practices. The projects are a collaboration between Paulig, its partners and coffee farmers.

In its own operations, Paulig focuses on achieving carbon neutrality. In 2022, plans were adjusted to reflect the changed company structure and the identified challenges, such as the availability of green gas certificates. By the end of 2022, seven out of eleven Paulig factories were certified as carbon neutral.

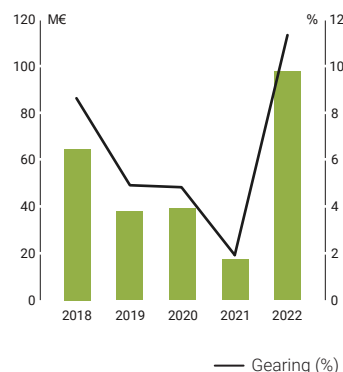
Paulig's nutrition framework was published in early 2022. The framework is based on the widely used front-of-pack nutrition label Nutri-Score and Paulig's product portfolio, including Liven, has been evaluated against the framework. The framework is being integrated into product development and innovation processes to reach the ambition of 70 per cent net sales from products enabling health for people.

In 2022, Paulig started to evaluate and develop a company level human rights due diligence process to ensure respect for human rights both in its own operations and throughout the value

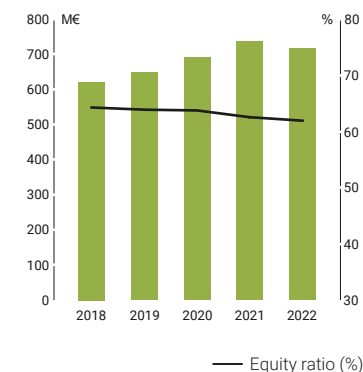
EBIT



Net debt



Shareholders' equity



chain. In 2022, good progress was made towards the strategic initiative target of securing external verifications for top spices. Furthermore, Paulig continued community work in the origin countries. In 2022, Paulig's Code of Conduct for Suppliers was revised and a Deforestation Policy was launched.

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

Management and auditors

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

There were no changes to the Board of Directors during the financial year.

Peter Rikberg acted as the observer of the Board until April when Oliver Paulig was elected as the new observer of the Board.

The Group's CEO is Rolf Ladau.

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

Shares

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

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

Proposal by the Board of Directors for the distribution of profit

The consolidated profit (-loss) for the financial year was EUR -19,909,868.57. The parent company's distributable shareholders' equity was EUR 418,148,146.35 according to the financial statements on 31 December 2022. The Board of Directors proposes that a dividend of EUR 68.10 per share be paid, amounting to EUR 34,238,296.50 in total, and that the parent company retains distributable equity of EUR 383,909,849.85.

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

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. We expect volatility in the commodity markets to continue, making the forecasting of margins challenging.

Revenue and profitability are expected to improve in 2023.

Events following the end of the financial year

Paulig completed the liquidation process of its subsidiary OOO Kulma in Russia in February 2023.

Consolidated Statement of Comprehensive Income

EUR 1 000	2022	2021	EUR 1 000	2022	2021
Revenue	1 105 517	966 318	Other comprehensive income (OCI)		
Other operating income	11 006	9 777	Items that may be reclassified to profit or loss in subsequent periods		
Materials and services	-704 394	-532 500	Foreign currency translation difference	-3 765	-3 928
Employee benefit expenses	-147 804	-143 621	Change in fair value of hedging instruments	29 232	-18 266
Depreciation, amortisation and impairment losses	-43 106	-42 142	Items that will not be subsequently reclassified to profit or loss		
Other operating expenses	-193 819	-166 541	Actuarial gains and losses from defined benefit plans	6 731	1 006
Share of result in associated companies	-21 609	4 031	Changes in fair value of equity investments through OCI	-2 159	2 000
Operating profit	5 791	95 322	Tax effect	-1 064	-642
Financial income	18 280	20 711	Other comprehensive income (-loss), net of tax	28 976	-19 830
Financial expenses	-38 866	-9 124	Total comprehensive income (-loss) for the year	9 066	65 479
Net financial expenses	-20 587	11 587	Profit for the financial year attributable to		
Profit (-loss) before taxes	-14 795	106 909	Owners of the parent company	-19 910	85 309
Income taxes	-5 114	-21 600		-19 910	85 309
Profit (-loss) for the financial year	-19 910	85 309	Total comprehensive income for the year attributable to		
			Owners of the parent company	9 066	65 479
				9 066	65 479

Consolidated Statement of Financial Position

EUR 1 000	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS		
Non-current assets		
Goodwill	89 705	63 097
Intangible assets	23 435	9 231
Tangible assets	330 641	310 771
Shares in associated companies	50 000	72 841
Other receivables	1 378	2 202
Non-current financial assets	23 316	57 914
Deferred tax assets	8 727	8 035
Total non-current assets	527 202	524 093
Current assets		
Inventories	172 646	142 691
Trade and other receivables	166 644	151 206
Other current financial assets	229 458	210 862
Income tax receivable	9 125	6 638
Cash and short-term deposits	52 159	140 551
Total current assets	630 032	651 948
Assets held for sale	0	2 337
Total assets	1 157 234	1 178 378

EUR 1 000	31 DECEMBER 2022	31 DECEMBER 2021
EQUITY AND LIABILITIES		
Equity		
Share capital	8 204	8 204
Other equity	706 795	727 392
Equity attributable to equity holder of the parent	714 999	735 596
Total equity	714 999	735 596
Non-current liabilities		
Interest-bearing liabilities	139 847	147 366
Other non-current financial liabilities	1 315	505
Provisions	4 408	3 501
Net employee defined benefit liabilities	21 358	30 279
Deferred tax liabilities	19 041	17 241
Total non-current liabilities	185 968	198 892
Current liabilities		
Interest-bearing liabilities	10 077	10 444
Provisions	30	0
Trade and other payables	238 124	226 855
Income tax payable	8 037	6 590
Total current liabilities	256 267	243 890
Total liabilities	442 235	442 782
Total equity and liabilities	1 157 234	1 178 378

Consolidated Statement of Cash Flows

EUR 1 000	2022	2021
Cash flows from operating activities		
Net profit (-loss) before taxes	-14 795	106 909
Adjustments 1)	113 206	-1 323
Change in net working capital:		
Change in trade and other receivables	-4 417	-17 297
Change in inventory	-22 924	-7 707
Change in trade and other payables	69	14 214
Dividends received	1 233	2 870
Interest received	3 871	10 745
Interest paid	-12 072	-7 126
Other financial income and expenses, net	8 153	4 921
Income taxes paid	-10 601	-20 050
Cash flows from operating activities (A)	61 722	86 157
Cash flows from investing activities		
Investments in tangible and intangible assets	-56 334	-46 700
Proceeds from disposal of tangible assets	11 864	15 157
Investments in other investments (subsidiary acquisitions)	-58 805	0
Proceeds in other investments (subsidiary sale)	6 465	0
Dividends received	2 365	1 217
Net cash flow from investments	-5 190	-11 663
Cash flows from investing activities (B)	-99 635	-41 989
Cash flows from financing activities 2)		
Increase (-), decrease (+) in long-term receivables	-158	399
Dividends paid	-29 663	-21 016
Proceeds from borrowings	0	50 000
Repayment of borrowings	-6 469	0
Repayments of leasing liability	-13 416	-18 220
Cash flows from financing activities (C)	-49 706	11 163

EUR 1 000	2022	2021
Change in cash flows (A+B+C)	-87 620	55 331
Cash and short-term deposits at 1 January	140 551	83 149
Net foreign exchange difference	-772	2 071
Cash and short-term deposits at 31 December	52 159	140 551
Change	-87 620	55 331
1) Adjustments		
Depreciation, amortisations and impairments	43 106	42 142
Share of associated companies results	21 609	-4 031
Eliminated foreign exchange gains and losses	1 518	313
Financial income and expenses	20 587	-11 587
Other adjustments	26 388	-28 160
Total	113 206	-1 323

2) Changes in liabilities arising from financing activities

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

Board of Directors



Jukka Moiso
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



Oliver Paulig
b. 1992
B.Pol.Sc.
Observer of the Board
since 2022



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



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



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



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

Leadership Team



Rolf Ladau
b. 1967
CEO
Working for Paulig
since 2018



Paula Backman
b. 1975
CMO
Working for Paulig
since 2020



Arnaud 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



Sarah Tähkälä
b. 1971
SVP, Legal
Working for Paulig
since 2010



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



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