

Paulig Group Modern Slavery Statement 2023

Overview

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

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

1. Our organization, business, and supply chains

Paulig Group is a family-owned, international food and beverage industry business, known for its high-quality brands, such as Paulig, Santa Maria, Risenta, Poco Loco and Zanuy. We also serve most of European retailers with their Tex Mex Retail Brands.

In the financial year ending December 31st, 2023 our revenue totalled EUR 1,167.6 million, and Paulig Group's three Business Areas were Finland & Baltics, Scandinavia & Central Europe, and Customer Brands. In 2023, we had 2,200 employees. The company is headquartered in Helsinki, Finland.

In 2023, we operated in the Nordic and Baltic Countries, Continental Europe and the United Kingdom. We have altogether 11 factories in six countries: Finland, Sweden, Estonia, Belgium, UK and Spain.

Paulig products are sold in more than 70 countries. In 2023, 49% of Paulig Group's sales were in the Nordic countries and 51% in other markets. Our supply chains are global, consisting of approximately 560 direct raw material, packaging material and traded goods suppliers in around 70 countries, and 5,700 indirect suppliers in the countries we operate in.

Our sustainability work covers the whole value chain and focuses on: fair and inclusive way of working, climate and circularity, and health and wellbeing of people and planet. This work is done in close cooperation with our partners and stakeholders throughout the value chain. In sourcing we emphasize human rights, decent working conditions, and fair employment, together with other aspects. Read more at www.pauliggroup.com.

2. Our key policies in relation to modern slavery

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

In 2023, we developed Human Rights Principles that outline our commitment to respecting internationally recognised human rights and our approach to managing human rights

issues. The principles will be presented to the Board of Directors for approval before publication in Autumn 2024. These principles complement our existing Ethical Principles and the Paulig Code of Conduct for Suppliers. We will persist in this work, closely monitoring regulatory developments, particularly discussions surrounding the EU Corporate Sustainability Due Diligence Directive. Additionally, we aim to benchmark our models and solutions against industry best practices.

We want to foster a sustainable way of sourcing. The basic sustainability principles and requirements governing our supplier relationships are outlined in the Paulig Code of Conduct for Suppliers which we expect each of our suppliers to sign. The Code is based on the aforementioned international standards, and it was updated in 2022. It stipulates the minimum requirements suppliers shall respect and meet within their own operations and within their supply chain.

Our policies and guidelines are available at <https://www.pauliggroup.com/sustainability/managing-sustainability>.

Our internal whistle blower channel serves as a tool to raise possible concerns on any unethical behaviour observed or suspected in our operations. All the possible misconduct is evaluated and investigated, and the cases are handled by Paulig's whistleblowing team. Paulig's personnel in all operating countries can raise possible issues anonymously through a whistleblowing tool maintained by a third party and available in five languages: Dutch, English, Estonian, Finnish, and Swedish. During 2023, mandatory local reporting channels were established in Belgium, Sweden and Spain.

The whistleblowing tool is available for our external stakeholders providing a channel for them to report possible misconduct on our part. In 2023, we received 42 reported cases, 7 external and 35 internal, of which 4 were either tests or without content. 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.

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

3. Due diligence procedures to manage risks within our value chains

In 2023, we conducted a human rights risk screening on our value chain, providing a comprehensive view of human rights risks at Paulig. The assessment is based on country risk classifications, reports and studies from various organizations and authorities, information obtained from our sustainability audits and third-party audits, personnel surveys, whistleblowing channel reports, and input from Paulig personnel in various functions. Based on this assessment and the existing mitigation measures and controls in place, we identified forced labour and modern slavery as significant human rights risks for Paulig, amongst others. Our objective is to conduct human rights impact assessments during 2024 to deepen our understanding and strengthen measures and controls to mitigate the associated risks and impacts.

We are consistently engaged in mapping human rights-related risks, developing processes, and establishing more systematic due diligence practices with our suppliers and other partners. Our goal is to ensure the respect for human rights both within our own business and across our value chain. Moreover, we are committed to continuously enhancing knowledge on human rights topics within Paulig.

4. Risk assessment and management within our supply chains

As a food and beverage company, our value chains are global and complex. A considerable portion of our raw materials originates from countries classified as risk countries by amfori BSCI (Business Social Compliance Initiative). We recognize that our exposure to modern slavery is greatest in our raw material and product supply chains. We also acknowledge that in our supply chains there are contributing factors that heighten risk levels for human rights violations and modern slavery - such as lengthy and less visible supply chains, the presence of seasonal and low-skilled workforce, regions with high migration rates, and countries with poorly enforced or less developed legislation.

We carefully choose our suppliers and aim at long-term partnerships to create shared value to all parties in the supply chain. We strive to improve traceability in our supply chain, to develop our supplier assessment and support our suppliers to improve their operations and practices, also in challenging environments.

In our assessment of suppliers' human rights-related risks, we utilize country risk assessments, supplier self-assessments, and both our own and third-party audits. With our own audits we pursue building common trust and knowledge with our suppliers. External verifications supplement our due diligence to mitigate risks and identify areas for development. Before entering into collaboration with a new supplier, we always perform a comprehensive risk assessment. Additionally, we regularly evaluate our existing suppliers.

To strengthen our commitment, we continue to build a holistic human rights management model as an integral part of our supply chain due diligence approach. Additionally, we are implementing a roadmap for external verifications within the spices sector to ensure sourcing from verified sustainable sources.

5. Training and capacity building to combat modern slavery

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

All Paulig employees complete a mandatory online training on our Ethical Principles as part of the onboarding programme. The purpose of the training is to ensure our ethical principles are reflected in our methods and daily work. We want our employees to feel comfortable with voicing dissenting opinions and concerns at the workplace. In 2023 as part of the human rights risk screening workshops participants from various functions received training on human rights topics.

Our sustainability team ensures consistent evaluation of the social and environmental work of Paulig and our suppliers and trains and guides personnel working in other functions. They are experienced, well-trained on the matter and familiar with the issues prevalent in the countries of origin.

Paulig's own employees that conduct supplier sustainability audits complete an SA8000 auditor training, and our sourcing and sustainability specialists receive capacity building on amfori's working methods and tools.

Human rights issues are often broad and complex and cannot be solved by a single company. We are committed to working with our employees, suppliers, and relevant stakeholders to develop tools and ways of working to make a real change.

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

We believe that in the prevention of human rights violations, it is important to have cooperation at local, national, and international level. We participate in social or community projects, for example together with our long-term raw material suppliers, that support the realisation of human rights locally and in our supply chain.

Furthermore, we are also a member of different collaboration initiatives such as amfori BSCI and the Sustainable Spices Initiative, which aims to sustainably transform the mainstream spices sector, thereby securing future sourcing and stimulating economic growth in producing countries.

6. Performance, monitoring, and future developments

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

Based on the sourcing spend, approximately 60% of our raw materials come from countries that are classified as risk countries by amfori BSCI. From this 60% more than half is already coming from externally verified sources.

Green coffee represents roughly 60% of Paulig's risk areas sourcing spend and we have sourced all our coffee from externally verified sources since 2018. Now we are focusing on spices and herbs, which are mainly sourced from risk areas as defined by amfori BSCI (approximately 90% of this raw material category volume in 2023). At the end of 2023, 71% of volume of the selected six spices were sourced from externally verified sustainable sources. With these six spices we cover approximately 45% of the risk country sourcing volume (kg) in the herbs and spices category.

During 2023 we conducted seven audits for the suppliers of paprika, coconut milk and pumpkin kernels at origin countries. The main findings of these audits were related to health

and safety, fair and equal treatment and integration of sustainability considerations into upstream supplier and supply chain management.

In contract manufacturing our target is for all the factories located in risk areas to be externally verified, and currently the audit coverage for those factories stands at 95%. In 2023, two amfori BSCI follow-up audits were conducted in manufacturing sites in Colombia and Thailand, and one multi-tier audit in Peru was conducted in January 2024 with no severe findings. In 2022, a zero-tolerance case was discovered in amfori BSCI audit in Thailand. The case was related to bonded labour: withholding of passports in exchange for reimbursement of recruitment fees. The passports were returned, and other corrective and remedial actions were finalised during 2023. After the follow-up audit in 2023, the zero tolerance was lifted, and the supplier gained the highest grade as an outcome.

We recognize that preventing modern slavery is a continuous process. We are committed to improving our policies, procedures and practices and working with our suppliers to further understand the risk areas and increase transparency to help mitigate any negative impacts identified. Our Code of Conduct for Suppliers supports this aim by requiring our suppliers to develop an understanding of human rights and environmental risks related to their operations and supply chains. We also expect our supply chain partners to develop appropriate policies and procedures to take action based on the risk assessment. Our policy also sets expectations for all the chains to be traceable concerning the manufacturing and origin of raw materials.

There are several EU-level policy developments underway, and we are committed to continuously developing our policies and processes. Paulig welcomes the development of harmonized, mandatory human rights and environmental due diligence 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.

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

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

Rolf Ladau, CEO, Paulig Group
May 27th, 2024

This modern slavery statement for the financial year ending December 31st, 2023 is made pursuant to section 54(1) of the UK Modern Slavery Act 2015.