

Paulig Group Modern Slavery Statement 2016

(Overview)

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

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

1. Our organization, business and supply chains

Paulig Group is a family-owned, international food industry business, known for its high-quality products, such as Paulig coffees, Santa Maria spices and Risenta healthy food products. We have nearly 2000 employees, and in 2016 our net sales were EUR 917 million. The company is headquartered in Helsinki, Finland.

Our business is divided into four divisions: Coffee, World Food and Flavouring, Snack Food and Naturally Healthy Food. We operate in the Nordic and Baltic Countries, Russia and its neighbouring areas, Central Europe and the United Kingdom. Our products are sold in about 60 countries. Currently, 59 % of Paulig Group's sales are in the Nordic countries and 41 % in other markets.

- Our supply chains are global consisting of approximately:
 - o **460** direct raw material, packaging material and traded goods suppliers in nearly **70** countries
 - o **6000** service suppliers in the countries we operate in

Our sustainability program covers the whole value chain and focuses on social responsibility, environment, consumer health and wellbeing and developing local communities we operate in. In sourcing we emphasize human rights, decent working conditions and fair employment together with other aspects.

2. Our key policies in relation to modern slavery

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

We want to foster a sustainable way of sourcing. To support this principle, we developed internal group-wide guidance on Sustainable Sourcing Process in 2014. The process ensures a systematic way of working in order to identify and manage sustainability challenges in our supply chain.

The basic sustainability principles and requirements governing our supplier relationships are outlined in the [Paulig Group Code of Conduct for Suppliers](#) (Code) which we expect each of our suppliers to sign. The Code is based on the aforementioned international standards. It stipulates the minimum requirements suppliers shall respect and meet within their own operations and within their supply chain. In 2016, 90 per cent of our direct suppliers had signed the Code.

Our Sourcing Management Team (SMT) is responsible for driving sustainable supply chain development. Our divisional sourcing teams have the operational responsibility of implementation of the process: from risk assessment to follow-up of actions. SMT reports to Paulig Group Management Team about the KPIs and development of Sustainable Sourcing. SMT also advises Paulig Group Management on strategic direction of Sustainable Sourcing.

3. Risk assessment within our supply chains

We recognise that common sustainability risks in the food sector are related to human rights such as forced or child labour and employee rights such as fair remuneration and working hours. The risks exist especially in global and complex supply chains. Production of some of our raw materials such as coffee and spices often rely on low-skilled, seasonal and migrant workers which can further increase the risk of modern slavery.

Our risk assessment regarding social responsibility such as violations of human rights, child labour or poor working conditions is based on the evaluation of country and raw material specific risks. We use BSCI (Business Social Compliance Initiative) country risk list to evaluate the country of the first tier supplier, the country of production and the country of origin of raw material.

The risk assessment is an ongoing process. It is done always before starting collaboration with a new supplier and is updated regularly. In 2016, the number of high risk suppliers was approximately 150 based on the country they operate in, or on the country of origin of a raw material.

4. Due diligence procedures to manage risks within our supply chains

We recognize that our exposure to Modern Slavery is biggest in our raw material and product supply chain. During the last couple of years we have taken steps that enable us to minimize the risk of Modern Slavery. We value long-term relationships with our selected raw material, packaging material and traded goods suppliers and invest in collaboration with them.

We conduct a risk re-assessment through Supplier Self-Assessment Questionnaires (SAQs) for suppliers that have been assessed as high risk in the country risk assessment. The aim is to evaluate how proactively and systematically the supplier works regarding sustainability both in their own operations and in the supply chain. It also gives important input for prioritising further due diligence actions, such as supplier audits. Since initiation of the SAQ in 2015 we have asked a total of 333 suppliers to complete the questionnaire.

After the risk re-assessment we follow-up on supplier performance by conducting different levels of on-site audits. In 2016, we conducted 38 sustainability supplier audits. Our auditors have been trained to pay special attention to indications of e.g. restrictions of workers' freedom of movement and ensure the display of company policies, codes of conduct or labour law during the on-site audits. Suppliers with non-compliances are requested to provide a plan for corrective action. The suppliers' progress in implementing the plan is monitored by the auditors.

In 2016 we audited 32% of all identified high-risk suppliers after the risk re-assessment. In 2017 our goal is to increase the audits to 60%. The rest of the high-risk suppliers will be audited during the coming years. In 2016 we did not find any non-compliance related to freedom of association and right to collective bargaining, slavery, servitude, human trafficking, child labour or forced or compulsory labour.

Our Coffee Division develops and advances the responsibility of its sourcing through its own Sustainable Coffee programme, which was launched in 2013. One of the important goals of the programme is that by the end of the year 2018 all green coffee must meet the responsibility requirements set in our Code, and be traceable all the way to the coffee farms.

We have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004 and use only certified palm oil in our products.

To further manage risks we have a grievance mechanism in place which enables Paulig Group employees to report on possible violations concerning our Ethical Principles. The channel is located in the intranet and messages can be sent anonymously. In 2016 employees did not report any possible violations, and there were no cases of non-compliances.

5. Training and capacity building to combat modern slavery

We recognize 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.

We have arranged training for all employees concerning our Ethical Principles since 2014. In order to maintain awareness on ethical behaviour the training will be repeated every third year. The training emphasizes the importance of fostering a responsible way of sourcing and human rights throughout our value chain.

To ensure functioning Sustainable Sourcing process we organise internal training for employees who work at the Paulig Group's sourcing and quality management functions. Our goal is to keep building up the auditor competencies in each Group division.

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

We also participate in many social projects locally and in our supply chain that support the abolishment of modern slavery directly or indirectly. Our World Foods & Flavouring division has been a partner company with Save the Children since 2004, which is currently conducting extensive research concerning spice farming and child labour in India. The results will be reported next year. Our Coffee division is a founding partner of the non-profit collective International Coffee Partners. The collective's projects support coffee farmers to improve their competitiveness and livelihood by using sustainable farming practices. Since 2001, 23 projects have been implemented in 12 countries, with over 40 000 farmer families involved.

6. Future developments

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.

We will continue to train our staff and suppliers on social responsibility issues, and to raise awareness through projects that build capabilities in combatting modern slavery directly or indirectly.

Our Sustainable Sourcing Process currently covers sourcing of raw materials, packaging materials and finished goods/traded goods. In the coming years we will further enhance our sourcing process. We are planning to expand the process to other sourcing categories that are at risk of modern slavery related issues, such as transport and logistics.

The complex challenges related to modern slavery require consistent and deepening cooperation with other parties. In 2017 we will implement a Common Sourcing Stakeholder Relationship Management process to establish a harmonized way of working with all our suppliers.

(Sign-off)

This statement was approved by the Paulig Group Management Team.



Jaana Tuominen, CEO, Paulig Group

May 2017

This modern slavery statement for the financial year of 2016 is made pursuant to section 54(1) of the UK Modern Slavery Act 2015.