



Paulig

QUALITY FROM BEAN TO CUP

Corporate responsibility report
2013

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Introduction

In 2013, responsibility work once again advanced on a broad front. We launched the extensive Sustainable Coffee Strategy responsibility programme, with the aim of having all our procurements meet responsibility criteria by the end of 2018. In procurement, a major priority area was improving collaboration with partners. We continued active cooperation with other players in the sector as well as improving conditions in the countries of origin, for example, together with the organisations International Coffee Partners and 4C as well as through the Coffee & Climate project.

In order to enhance our responsibility work, we launched a broad-based survey of stakeholders. Our personnel were inducted in responsibility philosophy through interactive training sessions. We also updated our way of reporting on corporate responsibility. Our website now contains a separate Reporting section, with annual reviews of each priority area of corporate responsibility, for example.

This archive section contains a summary of our responsibility work in 2013.

Editorial

In pursuit of responsible coffee

More and more consumers want to know where the food products they consume come from and how they are produced. I am pleased with this trend. In our sector, product safety, traceability, respect for the environment and social responsibility should be self-evident. Surveys and the feedback we have gained show that consumers are confident that Paulig handles these matters well. We want to be worthy of that trust every day.

Paulig has been devoting effort to traceability for a long time. A significant proportion of the green coffee we purchase can be traced all the way to the plantation. It is our goal to reinforce the supplier chain and to further increase its transparency. We will increase the number of certified products in our range and we will raise the proportion of traceable coffee every year.

Our production processes have been trimmed environmentally to an advanced degree. In spite of this, we have managed to reduce the roasteries' energy consumption and the quantity of packaging materials year after year. We are constantly seeking new and more environmentally friendly alternatives for packaging.

We made a strong deployment in training in 2013. In addition to leadership training, the entire personnel were grounded in Paulig's philosophy of responsibility. We engage in close dialogue with our partners and we listen to the consumer through a number of channels. Responsibility in the coffee chain also means active collaboration with other players in the sector as well

Elisa Markula
Senior Vice President
MD Paulig Group Coffee



as improving conditions in the countries of origin - for example, with the help of the organisations International Coffee Partners and 4C in addition to the Coffee & Climate project.

In terms of results, 2013 was a good year for Paulig's Coffee Division and our position strengthened on the chosen coffee markets. Vendor, which provides out-of-home services, was merged into Paulig on 31 December 2013. The acquisition makes Paulig today a full-service coffee firm also for corporate customers, operating under the name Paulig Professional. Our regions of dynamic growth also include the Baltic countries and Russia, where our roastery in Tver will soon be running at 100% capacity and our market share has taken a favourable trend.

Although many important steps have already been taken, there are plenty of challenging jobs still to do in the years ahead. Among the foremost of these are transparency in the procurement chain and the verification of responsibility, to which we will devote effort in 2014 as part of a Paulig Group-wide project. In compliance with our environmental programme, we are continuing to work on mitigating our environmental impacts. Trust in the company is built not only on the quality of products and services but also on the deeds and ideas of the people who work there. This is why it is important for us to promote an ethical action culture in all the countries where we do business. We want Paulig to taste good, not only in terms of coffee enjoyment but also as an employer, partner and member of society.

Procurement

An ambitious responsibility programme gets running

At the end of 2013, Paulig launched the large-scale Sustainable Coffee Strategy responsibility programme. At the heart of the programme is the promise that all procurement - including everything from green coffee to packaging - will meet the responsibility criteria set for them by the end of 2018. The criteria and the targets for the programme will be determined in the course of 2014.

Two young people have been recruited for the procurement team to cultivate professionalism in coffee procurement. It is also hoped that, by providing employment for young people, Paulig will continue to have sufficient talent also in years to come.

Collaboration with partners to be further intensified

An important area of priority in procurement in 2013 was the development of partnering. All of Paulig's main raw material suppliers were assessed, and on the basis of that strategic partners were defined with whom we want to do business in the future and further improve collaboration. The attainment of the targets set, such as performance quality, punctuality and traceability, will in the future be monitored on a monthly basis with the chosen partners. The introduction of common benchmarks will promote the monitoring and fulfilment of targets throughout the value chain.

Increasingly intense collaboration with partners will assist in the optimisation, for example, of the batch size of orders and packaging materials, thus reducing wastage. When partners' operations and processes are known thoroughly, the entire value chain runs more smoothly and this ultimately makes itself felt by the consumer.

Responsibility labels and traceability

Consumers' interest in responsibility-labelled products is growing constantly. The output of certified coffees is also growing steadily so that the growing demand can be met. The responsibility-labelled products in Paulig's range remained the same, and no new certified products were launched on the market in 2013.

Coffee's traceability is partly dependent on its country of origin. For example, in Ethiopia almost all coffee is sold through the country's internal coffee exchange, so traceability cannot be extended to the plantation. By contrast, about half of the coffee coming from Brazil, for example, can be traced back to the plantation. 2013 The traceability surveys of 2013 will be completed in spring 2014.

Large trading firms have a number of responsibility projects of their own in the countries of origin. Collaboration and participation



in these schemes is a natural way to promote responsible procurement - together with certification by third parties. Naturally, these schemes must comply with Paulig's requirements.

The low world market price for coffee impacted growers

The year 2013 was marked by an extremely sharp fall in green coffee price. The large coffee-producer countries like Brazil, Vietnam and Colombia enjoyed exceptionally good harvests, which expanded coffee reserves and dropped the world market price for coffee at times to less than production costs. At its lowest, the price of coffee fell to only a little over 100 US cents per pound in November 2013.

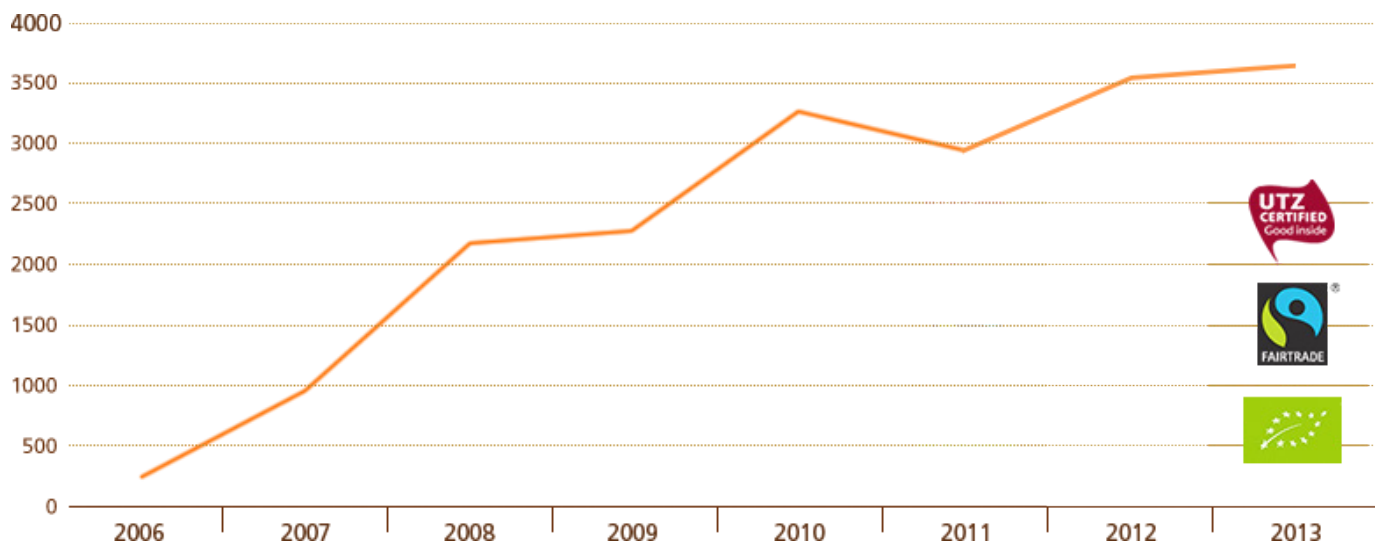
The low price level for coffee is also meaningful from the perspective of responsibility. Efforts are made to cut cultivation costs, for example by reducing the use of fertiliser, which may result in quality problems. Growers may move over to robusta instead of arabica or cultivate entirely different crops, which will result in availability problems for coffee. Coffee-growers also had fewer opportunities to make new investments last year than normally. For instance, adopting certification involves start-up costs for growers, even if it usually means increased productivity per hectare. Certified coffees also command a better price on the market, in addition to which Paulig pays growers a quality bonus.

Paulig mostly buys its coffee direct from the countries of origin rather than through large trading firms. The people in charge of coffee procurement actively visit the coffee countries of origin. In this way, we can make sure with our own eyes that operations are in line with the jointly set criteria. At the same time, we can improve the growers' expertise and quality control.

Figures and results of our work

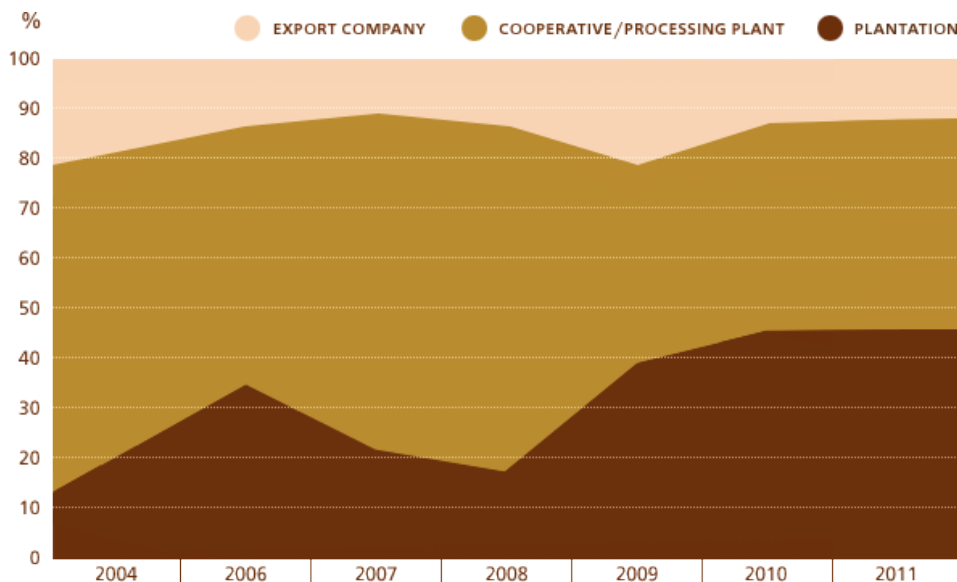
Paulig's purchases of certified coffee grades (tonnes)

Responsibility-labelled green coffee accounts for some 10-15 % of global output and demand is growing. The manufacturing of products with responsibility-labelled ingredients is sometimes challenging because of the quality and scarcity of the supply of raw materials. Of the coffee purchased by Paulig in 2013, roughly 6.6 % was certified for responsibility.



Trend in traceability

Paulig systematically develops the traceability of all the coffee it purchases in cooperation with its trading partners. Of the coffee purchased by Paulig in 2013, 100% could be traced back to the exporters in the countries of origin, 89 % to the co-ops and processing plants, and 39 % to the coffee plantations or plantations cooperatives.



In the harvest season of 2013, the world output of coffee was

8 700 000

tonnes or 145.7 million bags (60 kg) of coffee.



For comparison: Laid end to end, the coffee bags would stretch almost twice around the world.

Personnel

Our image as an employer is built on responsibility



Internalising the importance of responsibility work and participating in it are important to all personnel. Corporate responsibility is also an increasingly important criterion to people choosing an employer and making their career plans. This almost always comes up during job interviews and it raises the responsibility demand level in respect of both employers and verification measures. Competition for talent in a changing job market is forcing companies to declare their business principles and to improve their operating methods also from the perspective of responsibility. Although the level of expectations for an employer's responsibility varies from country to country, interest in it is growing everywhere.

In 2013, Paulig's personnel work deployed particular effort in improving and utilising the 3D process. The entire personnel of Paulig's Coffee Division underwent process-compliant target and development interviews examining the attainment and results of personal targets. Success is reflected through four subdivisions: strategy-driven working methods, improvement in skills and personal expertise, the quality of work, and operating in accordance with the values. What is important is not only achieving the targets but also acting in accordance with the values, based on previously made personal value promises.

Targeting to good leadership

The broad-based biennial TellUs personnel survey was joined by the annual Leadership poll, which measures supervisors' work and leadership. Further, last year the significant decision was made to make this Leadership survey one of the criteria for all supervisors' and managers' bonuses. An appraisal is made by the team working under each supervisor. The far-sighted development of management and supervisors' work over the past five years has opened up a new perspective for many supervisors and helped them to internalise their personal role.

Good level in work health and safety

The situation for occupational health and safety and the trend in sickness absenteeism continued to be good.

The incidence of occupational accidents at the Vuosaari roastery is extremely low. In 2013, there were two occupational accidents leading to sick leave. The personnel are encouraged to be active in reporting safety hazards they see, and these are logged in a common system. All personnel have also been issued with a pocket-sized form on which observations on safety can be noted. In 2013, 30 observations were booked against a target of 60 observations.

Figures and results of our work

The Coffee Division's personnel figures 31.12.2013 *

	Finland	Sweden	Baltics	Russia	Norway	Total
Office workers	214	15	89	127	7	452
Production personnel	73	0	0	23	0	96
Total	287	15	89	150	7	548

* Number of people in active employment. In addition, in inactive employment (e.g., job alternation leave, parent's leave) there were 15 people

Finnish personnel

- Women 105 and men 108
- Permanent posts 196
- Average period of employment 13 years
- Personnel's average age 44 years
- 6 employees took retirement
- Roastery employees' unionisation rate approx. 85%
- In addition, the Vuosaari facility had roughly 40 employees of external service providers, including in the personnel restaurant, guard duties and warehouse services.

Baltic personnel

- Women 33 % and men 67 %
- Permanent posts 89
- Average period of employment 4,71 years
- Personnel's average age 34 years
- No employees took retirement

Russian personnel

- Women 37 % and men 63 %
- Permanent posts 148
- Average period of employment 2,3 years
- Personnel's average age 32 years
- No employees took retirement

Trend in occupational health indicators at Vuosaari roastery*

In 2013, the accident frequency rate was 5, compared with the 2012 figure of about 43 for the food industry as a whole and about 31 for all sectors. (Source: TTK)

	2008	2009	2010	2011	2012	2013
Number of accidents*	3	3	5	7	1	2
Accident frequency**	8	11	14	19	3	5
Sickness absenteeism percentage	2,2	2,3	2,3	2,6	2,6	2,2

*Number of accidents LTI 1. Number of accidents leading to at least one day's absence excluding commuting accidents.

**Accident frequency LTIF. Number of accidents leading to at least one day's absence per million working hours performed.

Business

A variable year in the world of coffee

It was a time of brisk changes in coffee production and price trends. During 2013, the price of green coffee continued to fall, bottoming out at roughly 100 cents (USD) per pound. The decline in prices was due to record harvests in many cultivation regions and the resultant high supply. Forecasting the price trend is also hampered by uncertainty in the stock market, which has fuelled speculation in commodities. Demand for coffee has held fairly steady for arabica variety, whereas demand for robusta has grown due to its increased consumption e.g. in espresso coffees and in developing coffee markets.

Paulig operates in highly divergent coffee markets. In Finland and Estonia, coffee consumption has held steady and Paulig is the market leader in both. Paulig has also strengthened its position in Lithuania and Latvia. In Russia, Paulig's market share has experienced a favourable trend. Establishing the roastery in Tver has proved itself a successful solution, not only for business but also for responsibility. Paulig is the biggest single employer and taxpayer in the Tver region. The investment in a company-owned production plant has assured the customers and the market of our intention to operate long-term in Russia. The operations of the roastery have quickly been brought into line with Paulig's quality requirements, one indication of which is certification of our roastery by the McDonald's restaurant chain. We are also actively seeking a foothold in other new markets. In 2013, we established our own organisation in Poland to underpin our position on this attractive and heavily competed coffee market.

At the end of 2013, Oy Vendor Group Ab and Oy Vendor Ab were merged into their parent company, Gustav Paulig Ltd. Vendor has been part of Paulig since 2010, when a majority shareholding was acquired in the company. Vendor's specialist expertise has successfully complemented Paulig's coffee service offering. The merger will support the strategic goal of Paulig's Coffee Division to grow dynamically in the coffee-service business sector. Vendor's 80 employees were transferred to Paulig without loss of seniority and the Coffee Division's Out of Home operations were combined into a single business unit called Paulig Professional.

Even in settled coffee markets, innovations and coffee trends enliven the competitive scenario. New coffee equipment, the growth in Out of Home (OOH) channels, private-label products and young people's coffee consumption provide an inspiration for improving services and products constantly. The improvement of long-term and responsible business requires constant vigilance of the sector and painstaking analysis of research data.



What do stakeholders expect of Paulig's responsibility?

In the eyes of the general public, Paulig is also one of the most responsible Finnish companies.

At the end of 2013, Paulig carried out an extensive survey* of how consumers, customers, suppliers of green coffee and services, and non-governmental organisations see Paulig's responsibility and what kind of expectations they have of this. Listening to stakeholders and engaging them in a dialogue are essential parts of work on our responsibilities. The survey addresses questions such as how the various stakeholders view the composition of coffee-related responsibility, how responsible a company they consider Paulig, and what issues should be prioritised and developed.

"We got a great deal of tangible feedback. The results also confirmed that we are on the right track. All the stakeholders are interested in the transparency of the procurement chain and operations in the countries of origin. They want more concrete information from the places themselves, not just evidence based on certification. Points traditionally important to Paulig, quality and product safety, are also at the top of the list," Corporate Responsibility Manager Leena Miettinen explains.

In particular, more communication on practical responsibility work in easily approachable form was desired. "It's important to find the channels and moments when our stakeholders are naturally thinking about matters of responsibility. These situations often arise when shopping or following the media, and this is why packaging and marketing, for instance, play an important part in communicating about corporate responsibility."

In the eyes of the general public, Paulig is also one of the most responsible Finnish companies. In a survey of reputation and responsibility, which was carried out by TNS Gallup in autumn 2013, Paulig placed second among food-industry companies fifth overall. "For responsibility, consumers' assessments are distinctly lower than for reputation, probably because of the complicated concept. We can do a lot for responsibility by communicating of it in more engaging ways that are accessible to consumers."

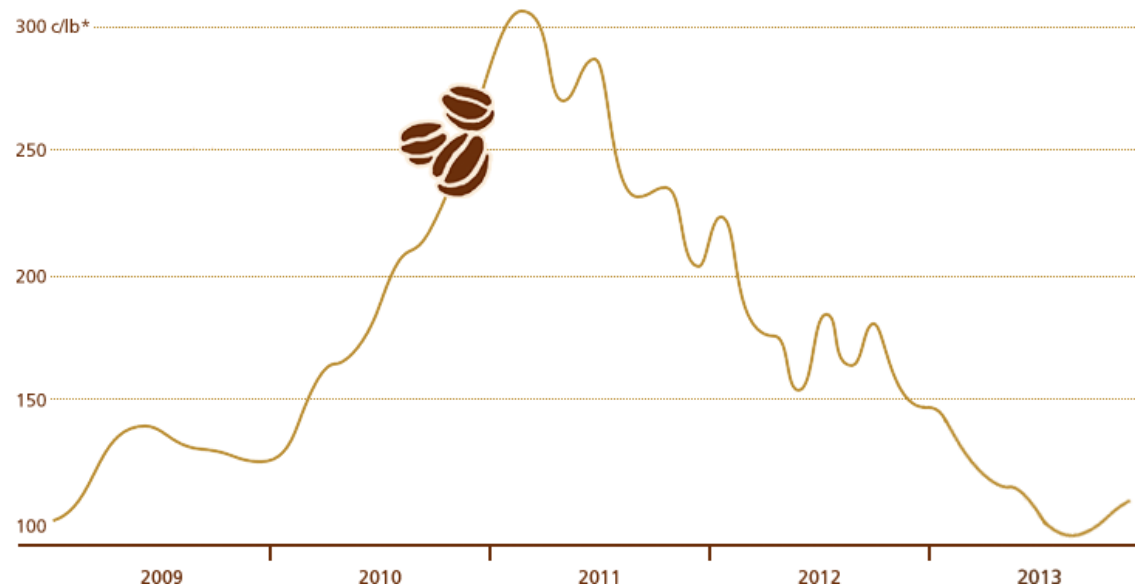
*The survey was carried out by PwC Finland in December 2013. It covered 714 respondents, 80% of whom were consumers. Two per cent of the respondents were not from Finland.



Figures and results of our work

The price trend for green coffee on the New York coffee exchange

The price of arabica coffees, which are what is mostly used in Finland, is determined on the New York exchange. The price is quoted in dollar cents (USD) per pound (454 g). Paulig annually purchases some 0.7% of the global green coffee output, in all roughly 60 million kilos.



48 008

Tonnes of coffee completed at the Vuosaari and Tver roasteries in 2013.

LONDON

If the coffee were lined up in 500 g packages, the line would be roughly 17 500 km long.

MELBOURNE

Financial year	2009	2010	2011	2012	2013
Net sales	232 504	261 540	332 918	297 876	267 815
Wages and salaries, indirect costs and prerequisites	16 505	13 304	13 288	12 884	13 657
Purchasing costs of ingredients and materials	132 520	187 304	247 388	189 823	144 791
Interest and other financial income	809	110	480	241	168
Interest and other financial expenditure	2 005	2 794	2 398	872	249
Investments	24 513	6 407	1 832	1 442	8 175

Environment

Sure steps along the green path



Paulig's roasteries devote constant thought to how the environmental friendliness of the production processes can be improved. The production processes are getting to be trimmed to the maximum, so the focus is on polishing details instead of great leaps forward. Small improvements and innovations continued to be made in 2013.

The current roastery in Vuosaari completed its third full year of operation. Thanks to the accumulated experience, it was possible to further optimise the operation of the building's lighting, ventilation and heating as well as the machinery serving these functions. Electricity consumption declined by 2.7% per tonne of production, which is 287 MWh when annualised.

Successful sorting of waste

Close attention has been paid to sorting waste at Paulig. The Vuosaari roastery no longer produces any mixed waste at all. The quantity of energy waste declined by roughly 8 per cent in 2013. The biggest impact on energy waste reduction was improved sorting and reuse of waste plastic. Paulig's partner for waste disposal, Lassila & Tikanoja, considers Paulig a model company for waste sorting and recycling.

The quantity of waste is also monitored at the Tver roastery, but in Russia, society does not yet provide facilities for recycling wastes.

The key point at the Tver roastery is to keep the total quantity of waste at the minimum.

Coffee wastage in the Vuosaari roastery's coffee production process was down by roughly 12 per cent on the previous year, falling from the already good figure of 0.85% to 0.75%. This improvement is backed by new ways to reuse materials which would otherwise have become waste. On the packaging lines, the process was improved so that less coffee is wasted. A foreign buyer was found for some of the waste coffee who is able to use it in producing instant coffee products.

Effective packaging

At Paulig, the environmental impacts of packages are reduced in three different ways: reducing the quantity of material used, the greenhouse gases from package production or using non-renewable natural resources. The laminate for coffee packages was further reduced, with the result that 44,000 kg less packaging material was used in 2013 than in 2012.

During 2014, the packaging machine lines at the Vuosaari roastery will be upgraded, which will facilitate the wider use of new, more environmentally friendly packaging materials than at present. The new machinery will also facilitate improved energy-efficiency and working ergonomics.

Operational quality control boosts safety at the roastery

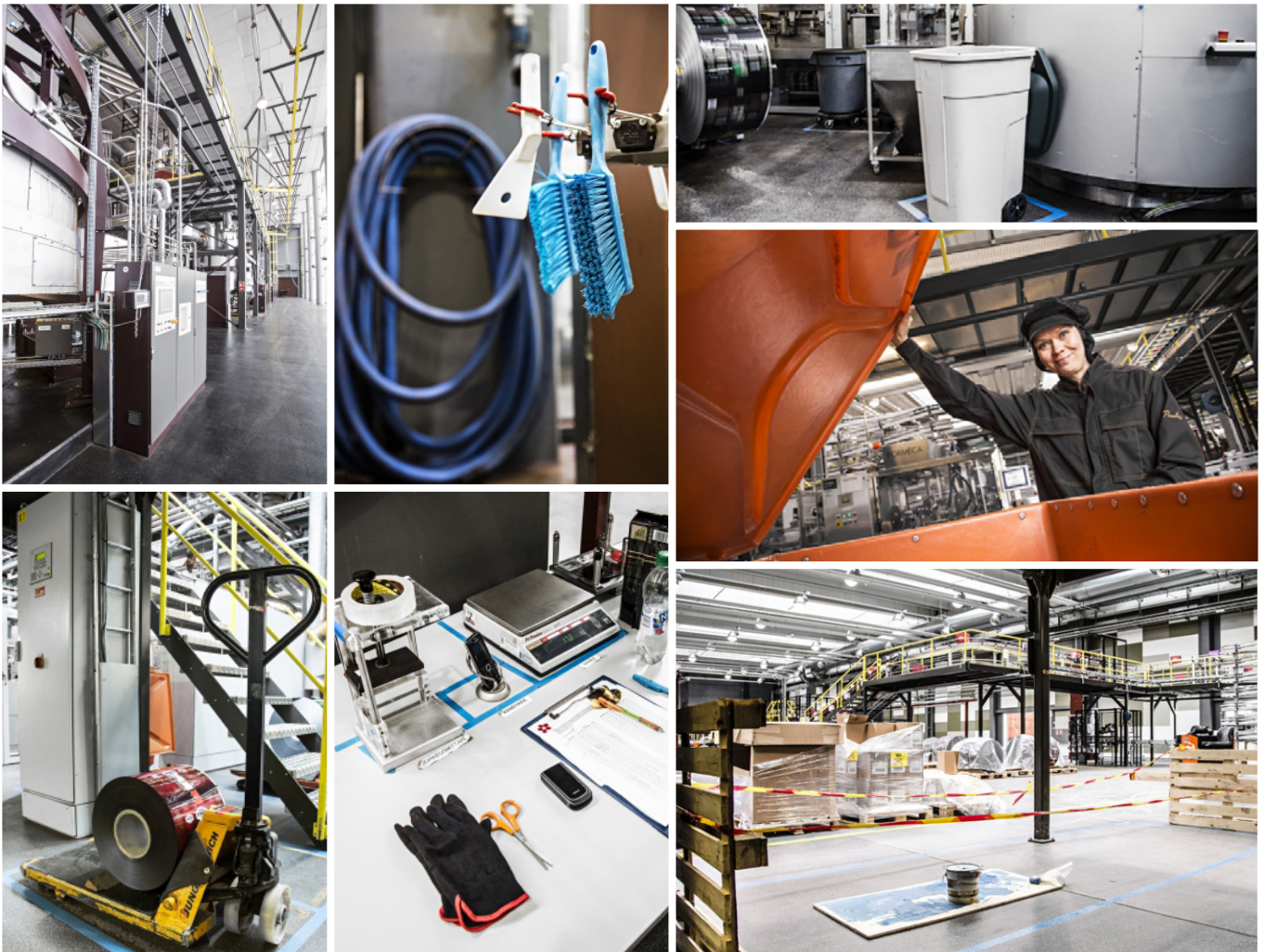
At the Paulig roasteries in Vuosaari and Tver, operational quality is monitored regularly with the help of Good Manufacturing Practice tours.

The present GMP model has been developed at Paulig over the years. With the help of the method previously in use, attention was paid to issues affecting safety on the job, such as orderliness and tidiness, machinery and equipment safety, ergonomics and safe movement. The GMP model formulated from this also included things like waste sorting. Last year, the roastery also began to use the 5S system based on 'lean' thinking, which was originally employed successfully at the Toyota automotive plant in Japan and elsewhere.

According to the lean philosophy, waste and extra effort should be reduced in everything you do. At the Paulig roastery, this means, for example, keeping order so that everything has its carefully considered place, whether it's a cleaning utensil, waste container, castor pallet, packaging pallet or a packaging line user's phone. The places for all objects and goods are marked on the floor or other surface with a blue line.

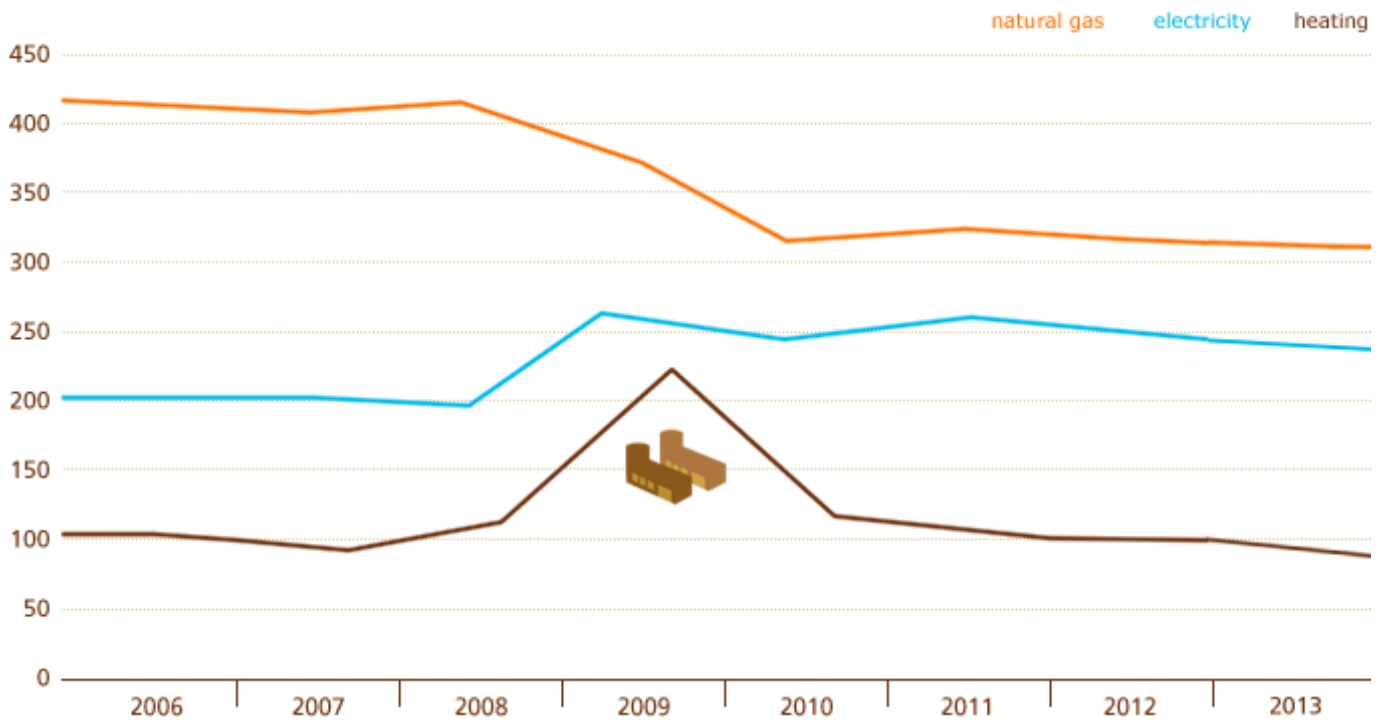
Monthly GMP inspection tours routinely run through a list of places where attention is paid to general tidiness, the orderliness of supplies, and safety. The inspection is done in different parts of the roastery, such as the roasting hall, the grinding room, the packaging hall or warehouses.

The method was further developed starting in 2013. The tours are always carried out by the same designated person, who is not personally in charge of the inspected areas' activities. This made the inspections more objective. The right things come out when the same person assigns points on the same scale. Also accompanying every tour is the foreman for each area so that any deficiencies can be conferred on and tackled without delay. Quality surveillance has also meant an improvement in things like safety issues, and overall tidiness has improved in the various sections of the roastery. Points allocation also serves as a benchmark for the personnel's bonuses.



Figures and results of our work

Annual energy consumption per tonne of output in Vuosaari (kWh/t)



"In 2010, we ran down our old roastery in Vuosaari and started up the new roastery, which naturally affected energy consumption and waste quantities. The distinctly lower figures for 2011 show that the new roastery's processes have successfully found their stride."

- Erkki Enström, Production Manager

In 2013, Paulig used

44 000 kg

less packaging material than in the previous year.



The combined mass of the material saved is the equivalent of roughly 44 cars.

Annual energy consumption 2013 in Tver roastery

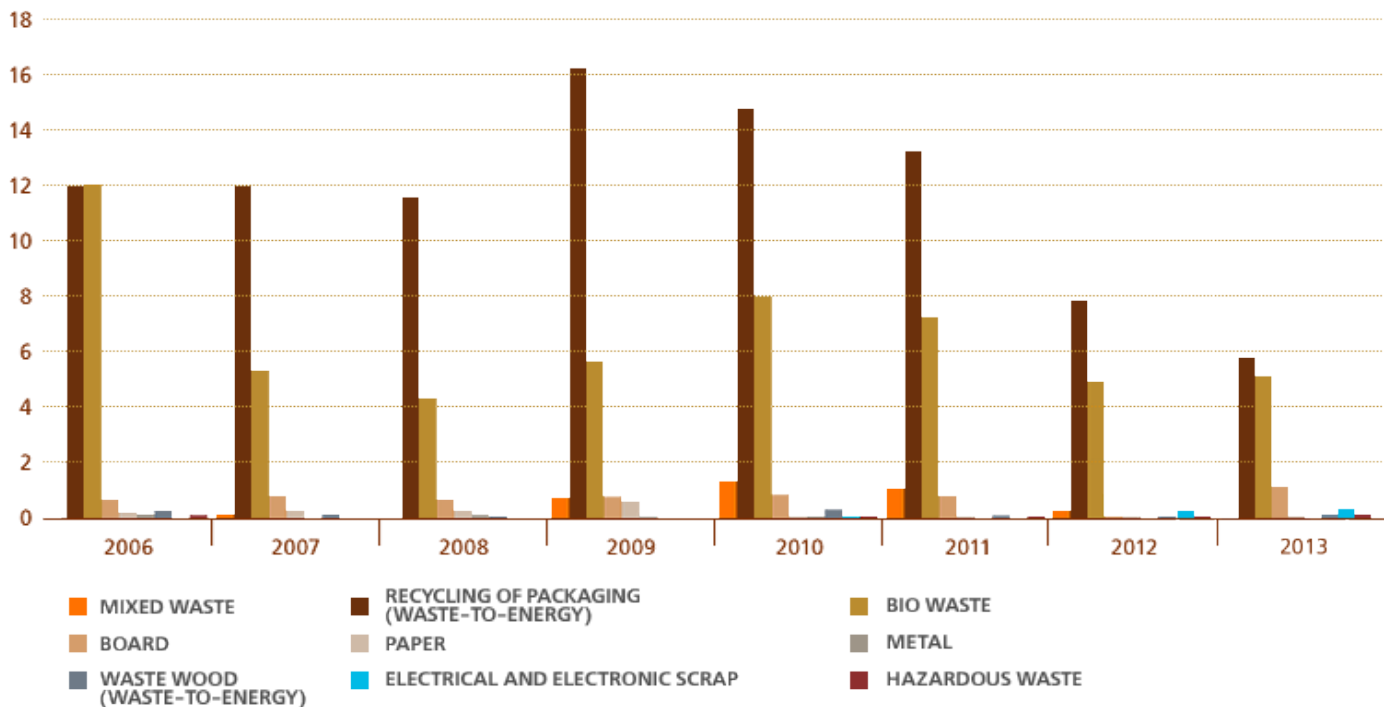
Natural gas	410 kWh/t
Electricity	190 kWh/t

Quantity of waste 2013 in Tver roastery

Mixed waste	0,39 m3/t
Reused packaging (energy waste)	6,83 kg/t
Organic waste	21,68 kg/t

Annual quantity of waste per tonne of output (kg/tonne of coffee produced)

Quantities of waste have been monitored systematically since 2002. The aim is for all wastes to be recycled as a material or for energy. No mixed waste at all is produced any longer at the Vuosaari roastery.



Products and services

New flavours and dialogue channels for coffee-lovers

Consumers' interest in the origin and production methods of coffee is continuing to grow, but reflects slowly to everyday consumption habits. At Paulig, we are working on more and more new alternatives for coffee-lovers to make responsible choices. In 2013, we launched a large-scale project with the aim of securing traceability for all the coffee made by Paulig by the year 2018. It was also decided to have some current products certified by UTZ during 2014. This is a considerable initiative for product development, which is proceeding on terms set by the availability of certified green coffee.

New ways for dialogue

The dialogue with consumer took on a new dimension with Paulig's website update. When the website reopened at the end of the year, it provided useful and interesting information about coffee, and it is expanding to cover all Paulig countries in the course of 2014. Paulig's Flavour Pairs web service offers coffee-lovers a new way to find toothsome combinations to go with their coffee. Suggestions for flavour matches were collected in Finland by means of a questionnaire which was responded to by more than 5,500 people. In Finland, Paulig's 18th Paula and 52nd Juhla Mokka Artisan were chosen. The annual illustrator for the Juhla Mokka Coffee Jar was voted in a hugely popular competition. All three missions provided by Paulig offer young talent an opportunity to advance in their careers and to develop as professionals. The projects also created a great deal of dialogue between Paulig and its stakeholders.

Refreshing product range

In the course of the year, the product family also grew and got an update. In Finland, the Paulig Capsolo capsule coffee-maker got a new Verus version and several new flavour options. During 2013, the Presidentti brand name was given a total facelift so that the product and sensory experience it provides will be the same in all markets in the future. The name President was changed in Russia to the Finnish form, Presidentti, and the appearance of the packages and the product range were harmonised. The promise to consumers was given a new expression - "You can always enjoy more". In Finland, the update was visible, for example, in the form of Presidentti Special Blend 2013 vintage coffee, which hit the shops in the beginning of September. In Russia, the update added the Presidentti Gold Label and Presidentti Black Label blends to the product range. There was also an update of the packaging for the Paulig Classic product family, which has won a strong position in the Russian and Baltic markets, for the first time since its launch in 2007.



Boosting out-of-home sector

Paulig's out-of-home business took a major step forwards when Vendor, which provides coffee dispenser services, was merged into Paulig in the turn of the year. The new unit was given the name Paulig Professional. With its broad range of products, equipment and services, it is even better and more efficiently placed to respond to the customers' needs.

Awareness and market position progressed according to objectives

The trend in Paulig's awareness, image and market position was studied, both in Finland and in other markets. Practically every Finn is familiar with Paulig and its major brands. In Estonia, too, the spontaneous awareness is high. In Latvia, Paulig's market position strengthened considerably and in Lithuania the awareness rose slightly. In Russia, the recognition factor of Paulig's coffee products in Moscow and St Petersburg has risen in line with targets thanks to improved distribution and increased advertising.

Paulig regularly measures its customer and consumer satisfaction. In 2013, for example, the satisfaction level of the food-service sector and retail trade's decision-making customers with Paulig was polled. Both parties appreciate Paulig's assured delivery and strong brands. Room for improvement was found in questions related to cooperation. Last year, the image of Paulig member Vendor was also researched, and the customers found it the best player in the field. Vendor's recognition factor and the readiness to recommend its services were also high.

In the TNS Gallup annual survey in Finland following companies' reputations and responsibility, Paulig took 2nd place in its own field of food industry companies.

Consumers' wishes reaching product development

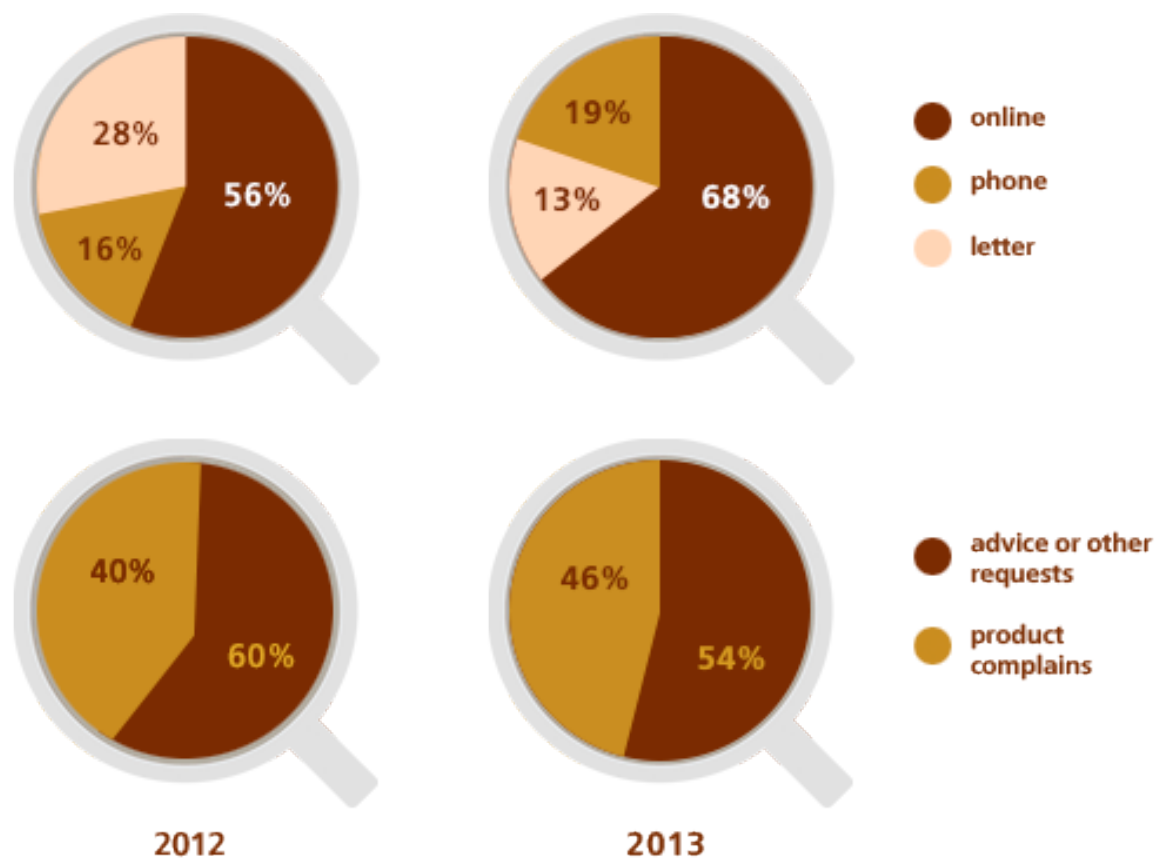
Paulig's consumer service responds to consumer enquiries on the internet, by phone and by mail. The rise of electronic channels and the spread of coffee capsule equipment in recent years have greatly expanded the number of enquiries. Ideas for product development and wishes for new products have also increased, amounting last year to no fewer than 165 requests. On the basis of the wishes we have developed new capsule products (e.g., glögi, Moccachino and Advent calendar) and the lightly sweetened Frezza Latte. Since April 2013, Paulig's customer service has also responded to consumers' questions on Facebook.

In 2013, consumer service in Finland received a total of 4,905 enquiries, of which comments or claims on products were 46% (2,277 enquiries). In Russia, there were in all 664 enquiries.

The new roastery in Vuosaari is an attractive place for visitors. It was visited in 2013 by a total of 20 non-company groups. The roastery can only accommodate a limited number of visitors, and visitor groups are selected twice a year from those who sign up online.

Figures and results of our work

Enquiries received by consumer service 2013



Paulig's targets for corporate responsibility and their fulfilment

Targets and Achievements 2013	Result	Targets 2014
Good leadership		
Measurement of supervisor and management expertise by tailored TellUS questionnaire. Target grade 3.0 (scale 1-4). Result: 3.26.	●	TellUS Leadership Index at least at the European average. TellUS-research is done every second year. Mini TellUS score over 3.0.
Competence and professional development		
80% of permanent employees have undergone the entire 3D process (targets, development plan and performance appraisal).	●	100 % of permanent employees have undergone the entire 3D process (targets, development plan and performance appraisal).
A safe and healthy work environment		
Encouraging staff to observe and report health and safety risks. Target in Vuosaari 60 observations/year. Result 30 observations in Vuosaari, 12 observations in Tver.	●	Due to the good work health and safety situation not anymore a relevant measure.
Tver roastery OHSAS18001 certification. Result: the factory was certified in autumn 2013.	●	Continuous improvement and keeping the certification.
Keep number of absences due to work accidents at a very low level. Results: Vuosaari 2, Tver zero accidents.	●	Keep number of absences due to work accidents at a very low level.
Using the early intervention model and communication with superior.	●	Rasing awareness and further lowering the bar for anticipatory intervention.
Targets and Achievements 2013	Result	Targets 2014
Traceability of all coffee 100 % by 2018		
Traceability of coffee purchases to 50 % of plantations and 90 % of co-operatives. Result: Figures in the 2013 survey were 39 % and 89 %.	●	Traceability of coffee purchases to 62 % of plantations and 100 % to co-operatives.
Systematic increase of certified and 4C coffee used in Paulig products. Results: Investigation of the opportunities to move on to certified or 4C verified green coffees in different blends was made.	●	Systematic increase of certified and 4C coffee used in Paulig products. Start to use certified or verified green coffees in chosen new products.

Development of responsibility in sourcing

A plan for the adoption of the guidelines is being drawn up in partnership with the Paulig Group. Guidelines have been drawn and implementation is going on.



Coffee division is participating a Paulig Group project, which aims to develop framework and tools for responsible sourcing practices and tools.

Targets and Results 2013

Result

Targets 2014

Saving energy

5 % decline in electricity consumption per coffee production tonne by improving the process and building automation. Result: The consumption declined 2,7 %.



5 % decline in electricity consumption by improving the process and building automation.

Reducing waste

10% decline in the quantity of organic waste in production. Result: the amount of organic waste decreased 18 %.



10 % decline in the quantity of organic waste in production.

Reduction in use of packaging laminate (kg) 3 %. The use of packaging laminate decreased 3.1 % (40 000 kg).



Reduction in use of packaging laminate (kg) 3 %.

Green Office

Reducing commuting by stepping up phone and videoconferencing. Results: the amount of videoconferencing increased considerably but measurement need to be developed.



Reducing commuting by stepping up phone and videoconferencing.

5 % reduction in use of copy paper. Result: Use of copy paper increased 12.8 % due to increased amount of employees.



5 % reduction in use of copy paper.

Targets and Results 2013

Result

Targets 2014

Reduction in product complaints and continuous improvement of operations

Number of product complaints below 15 per million kilos of produced coffee in Finland, less than 14 per million kilos of produced coffee in Russia. Result: Finland 11.4 complaints per million kilos coffee, Russia 11.6 complaints per million kilos coffee.



Number of product complaints below 15/million kilos output (Finland), less than 10/million kilos output (Russia).

Quality of manufacturing operations, GMP index*. Target index Finland 65/75, Russia 33/45. Result: Finland 68/75, Russia 37/38. *GMP: Good Manufacturing practices.



Quality of manufacturing operations, GMP index*. Target index Finland 65/75, Russia 33/45.

Keeping the brand and products attractive to consumers

Paulig's coffee brands are the most desirable in Finland (1): Result: According to Coffee market survey* consumers find Paulig coffees most desirable. *Kahviseurantatutkimus.



Paulig's coffee brands the most desirable in Finland (1).

Paulig among the top 3 food companies for reputation (TNS Gallup). Result second place among the food companies.



Paulig among the top 3 food companies for reputation (TNS Gallup).

Targets and Results 2013

Result

Targets 2014

Commitment to long-term profitable business

The profitability criteria agreed in the Paulig Group's strategy are fulfilled > The net operating profit target was overachieved.



The profitability criteria agreed in the Paulig Group's strategy are fulfilled.

Investments in coffee growers

Number of coffee farmers involved in International Coffee Partners (ICP) projects 17 000. Result: Number of farmers involved was 32 000.



Number of growers involved in ICP projects 30 000.

Investments in ICP projects (International Coffee Partners) 160 000 €. The investment was 163 334 €.



Investments in ICP projects 160 000 €.

CR and ethical principles training

Participating the preparation of Paulig group level CR and ethical principles training. Result: Training material was finalized and launch planned.



80% of coffee division employees have accomplished the training.

Coffee Division basic training. Target that 80 % of personnel in Finland trained. Result: 60 % of personnel participated to the training sessions.



Coffee Division basic training Russia and Baltics, trainings to be continued in Finland. In Russia and Baltic's 80 % of employees and in Finland 35 % of employees participate.

Communication and dialogue

CR website update. Result: Planning and production was started.



Website update finalized. Utilizing the stakeholder survey results for developing CR and sustainable coffee production.



Corporate responsibility indicators

25.8.2014

Finance

31.12.2013	MEUR
Net sales	267 815
Wages and salaries	13 657
Purchasing costs of ingredients and materials	144 791
Interest and other financial income	168
Interest and other financial expenditure	249
Investments	8175

Personnel

31.12.2013	Finland	Baltcs	Russia	Sweden	Norway	In total
Number of employees	293	90	157	16	7	563
Number of employees per country (%)	53 %	16 %	27 %	3 %	1 %	100 %
Permanent (%)	92 %	99 %	97 %	-	-	-
Part time (%)	8 %	1 %	3 %	-	-	-
Blue collar (%)	37 %	0 %	15 %	0 %	0 %	18 %
White collar (%)	63 %	100 %	85 %	100 %	100 %	82 %
Women (%)	44 %	33 %	38 %	-	-	-
Men (%)	56 %	67 %	62 %	-	-	-
Average age (years)	44	34	32	-	-	-
The Union membership among blue collars(%)	85 %	-	-	-	-	-

Turnover rate

Turnover rate, permanent employees (%)	5,6 %	-	-	-	-	-
Leaving rate, permanent employees (%)	5,1 %	-	-	-	-	-
Amount of retired employees	6	0	0	-	-	-
Average lenght of employment (years)	13	4,7	2,3	-	-	0

Leadership and competence development

Coverage of 3D development and target discussions	100 %	100 %	100 %	100 %	100 %	100 %
TellUs Leadership Index (employee satisfaction index)						3,26

Work health and safety

Sick days due to injuries and occupational diseases	2	-	0	0	-	-
Accident frequency (Amount of injuries with at least 1 day absence per million working hours)						
Sickness absence rate (%)	2,2	-	-	-	-	-

Environment

	In total	Vuosaari	Tver
Raw materials			
Purchased green coffee (kg)	55 150	49 213	5 937
Packaging materials (kg)			
Placed on the market (kg)	2 627 865		
Energy consumption MWh			
Natural gas	15 854	13 498	2 356
Electricity	11 298	10 196	1 102
District heating	2 912	2 912	-
Production (t)			
Coffee production	48 052	42 301	5 751
Air emissions (t)			
CO2	6 280	6 280	-
Hydrocarbons	28	28	-
Carbonmonoxide CO	138	138	-
Nitrogen oxides SO2	5	5	-
Sulphur dioxide SO2	0	0	-
Water			
Water (m3)	40 053	39 066	987
Waste			
Mixed waste (m3)		0	2 222
Energy waste (Packaging reuse) (t)		283	-
Biowaste (t)		223	125
Recycled material (t)		108	-
Hazardous waste (t)		9	-
Recyclable waste (t)		-	39

Responsible sourcing

Traceability of green coffee purchased by Paulig (%)	
- To trading houses in the countries of origin	100 %
- To cooperatives and mills	89 %
- To farms or cooperatives representing them	39 %
Share of certified green coffees of Paulig purchases	3,9 %
Share of coffee suppliers who have signed Paulig's ethical principles	100 %
Amount of coffee farmers involved in International Coffee Partners' projects	30 490
Investments in International Coffee Partners and Coffee and Climate projects (€)	163 334

Products and services

	Vuosaari	Tver
Amount of product claims per million kilo roasted coffee	11,4	11,6
Paulig's placing in Companies reputation and responsibility study (TNS Gallup): 2		
	Vuosaari	Tver
Good Manufacturing Practices index (whole year)	68/75	37/38