

Paulig Group Modern Slavery Statement 2022

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, 2022 our revenue totalled EUR 1,105.5 million, and Paulig Group's three Business Areas were Finland & Baltics, Scandinavia & Central Europe, and Customer Brands. In 2022, we had 2,300 employees. The company is headquartered in Helsinki, Finland.

In 2022, we operated in the Nordic and Baltic Countries, Continental Europe, the United Kingdom, and Russia. In January 2022, Paulig announced the acquisition of Liven, a Spanish snacks company. In March 2022, Paulig announced that it will withdraw from Russia, and in May 2022 Paulig completed the sale of Paulig's operations in Russia. Additionally, Paulig Group sold its Gold&Green brand, intellectual property, and R&D function, and phased out the rest of its Gold&Green operations.

Paulig products are sold in more than 70 countries. In 2022, 51.7% of Paulig Group's sales were in the Nordic countries and 47.3% in other markets. Our supply chains are global, consisting of approximately 530 direct raw material, packaging material and traded goods suppliers in around 70 countries, and 5,600 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.

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.pauligroup.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.

Since 2021, the whistleblowing tool has been available for our external stakeholders by providing a separate channel for them to report misconduct on our part. 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.

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. 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, and a significant share of our raw materials comes from countries that are classified as risk countries by amfori BSCI (Business Social Compliance Initiative). 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. In addition, climate change, loss of biodiversity and water stress as well as the usage of pesticides cause risks to the environment and people in these areas.

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 amfori BSCI country risk list to evaluate the country of the first-tier supplier, the country of production and the country of origin of raw material.

In 2022, the number of high-risk suppliers was approximately 100 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 recognise that our exposure to modern slavery is greatest in our raw material and product supply chains. During the last few years, we have taken steps that enable us to minimize the risk of slavery or servitude. We value long-term relationships with our selected raw material, packaging material, contract manufactured goods, and transport and logistics suppliers, and invest in collaboration with them. In 2022, Paulig started to further evaluate the existing processes and develop a company level, harmonized human rights due diligence process to strengthen ensuring respect for human rights both in its own operations and throughout the value chain. As part of this process, during 2023, Paulig will conduct a human rights impact assessment.

We apply a diligent process when assessing our suppliers, evaluating the sustainability risks related to suppliers through country risk assessments, supplier self-assessments and audits. We always conduct a supplier risk assessment before starting collaboration with a new supplier and evaluate existing suppliers at regular intervals.

After the risk assessment we follow-up on supplier performance by conducting on-site audits. We conduct our own audits parallel with external verifications. 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.

Our auditors have been trained to pay special attention to indications of slavery e.g. restrictions of workers' freedom of movement, and ensure company policies, codes of conduct or labour laws are available and displayed. Should any indication of slavery be uncovered, the company would take immediate action. Suppliers with non-compliances are requested to provide a plan for corrective action. The suppliers' progress in implementing the plan is monitored by our auditors.

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. As part of the human rights impact assessment that Paulig will conduct during 2023, the participants will receive training on human rights topics.

Our Group 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.

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 that support the realisation of human rights locally and in our supply chain. For example, Paulig and Save the Children have worked together many years to improve children's rights in India, reaching children and communities in 30 villages in the Guntur district.

Furthermore, we are also a member of different collaboration initiatives such as amfori 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 40% of our raw materials come from countries that are classified as risk countries by amfori BSCI. Green coffee represents almost 80% 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 70% of this raw material category volume in 2022). At the end of 2022, 51% of volume of the selected six spices were sourced from externally verified sustainable sources. With these six spices we cover approximately 50% of the risk country sourcing volume (kg) in the herbs and spices category.

During 2021, we conducted a special 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.

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.

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 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.

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 number of EU-level policy developments underway, and we are committed to continuously develop our policies and processes. 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.

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
2 May 2023

This modern slavery statement for the financial year ending December 31st, 2022 is made pursuant to section 54(1) of the UK Modern Slavery Act 2015.