

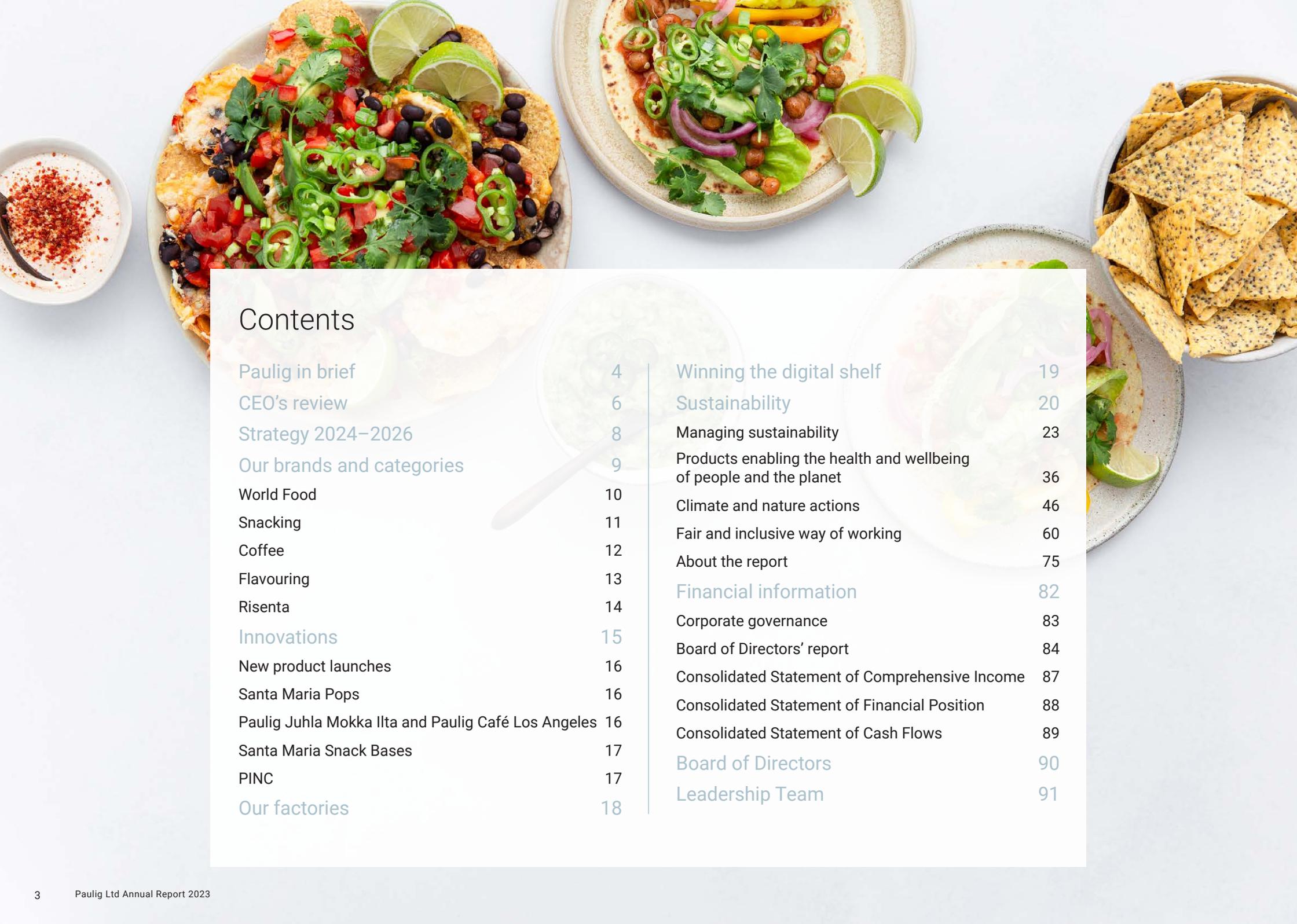


# Annual Report 2023





*For a life full of flavour.*



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# Paulig in brief



Family-owned company, founded by Gustav Paulig in

# 1876

## Purpose

# *For a life full of flavour.*

## Revenue

# 1,167.6 MEUR

## EBIT

# 90.1 MEUR

## Revenue per Business Area



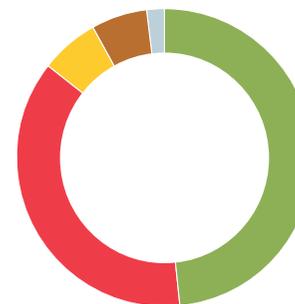
## Values



## Brands



## Revenue per market



- 48.6% Nordic countries
- 37.2% Continental Europe
- 6.3% UK and Ireland
- 6.2% Baltic countries
- 1.7% Other countries

### Avg headcount

2,209

Female\*  
43%



Male\*  
57%



\*Situation December 31<sup>st</sup> 2023

### Avg headcount per country

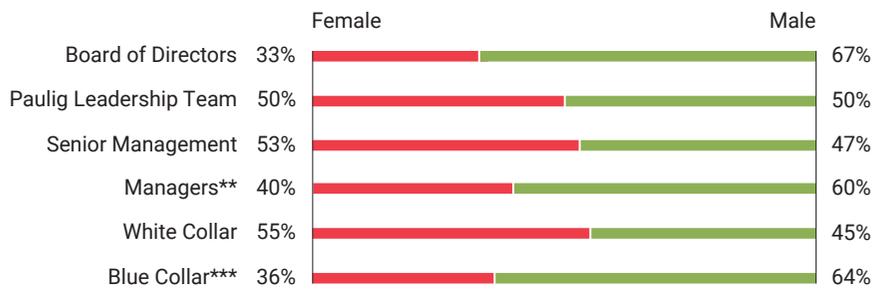


- 34% ● Belgium
- 20% ● Sweden
- 16% ● Finland
- 15% ● Spain
- 6% ● Estonia
- 5% ● UK
- 5% ● Others

### Operations in 13 countries



### Gender by position 2023\*



\*Situation December 31<sup>st</sup> 2023  
 \*\*Managers leading a team  
 \*\*\*Production, warehouse and restaurant workers



## CEO's review

“ In 2023, Paulig had a historically successful year, and we are very pleased with our significantly improved performance.

Our revenue grew by 5.6 per cent, and comparable EBITDA grew by 57.2 per cent compared to 2022. This was driven by a combination of increased sales, exceptional operational efficiency and a favourable business environment. Strategic decisions made in the preceding year also played a role – we reacted to the changes in the global landscape and implemented measures in a demanding market where challenges such as supply chain disruptions, the availability and price development of raw materials and other rising costs emerged. By focusing on our operational performance and maintaining efficiency, we have ensured that the fundamentals of our business remain strong.

Last year, we strengthened Paulig's business capabilities by divesting non-core businesses that do not have a clear role in the growth of the company. We sold our minority stake in the spice company Fuchs Group and the Frezza cold coffee drinks brand. Additionally, we made strategic investments to accelerate growth. To strengthen our presence in Europe and further drive the growth of our Tex Mex business, we established an office in Vienna, Austria. Furthermore, we invested in a new pellet snacks line in Spain to expand our product offering with innovative and tailored snack choices.

This year, Paulig will continue to pursue sustainable, profitable growth as well as explore non-organic growth opportunities. Notably, acquiring the Spanish-based snacking company Liven two years ago is an excellent example of the implementation of our growth strategy. The successful integration of Liven expanded our operations and market reach into southern Europe. By leveraging our commercial expertise and European

network with the capabilities in Spain, we have exceeded sales expectations.

Paulig's brands and categories appeal to consumers, providing a robust platform for sustained future growth. Tex Mex, where we are the European market leader, grew significantly last year. The Snacking category is also growing strongly, and we launched several delicious novelties in 2023. In addition, the coffee category rebounded and volume growth was strong particularly towards the year-end. This was driven by decreased coffee prices and active promotional campaigns.

Our innovation capabilities remained strong, evidenced by the successful launch of 40 new products. We entered a completely new, savoury snacking category with our Santa Maria brand and launched Santa Maria Pops chips with reduced fat content. We also expanded our portfolio within the Asian cuisine and launched decaffeinated coffee novelties.

Paulig's growth is driven by both the Branded business and Customer Brands. During an economic downturn, consumers make more cost-conscious choices, which boosted the sales of private label products. Our net sales from the Customer Brands business grew, accounting now for approximately 40 per cent of the company's total revenue.

### Major achievements in sustainability

In 2023, Paulig progressed significantly towards its ambitious sustainability targets, which are based on the UN Sustainable Development Goals. Paulig's ambition is to reduce the greenhouse gas emissions from its own operations by 80 per cent and from its value chain by 50 per cent by 2030, from the 2018 baseline. In 2023, we achieved a 22 per cent greenhouse gas emissions reduction from the 2018 baseline.

To accelerate climate actions in the value chain, Paulig launched a unique Climate Fund. The fund is allocated to selected projects annually targeting emission reductions in wheat and coffee value chains, logistics and Paulig's own operations. The budget for annual targeted CO2 emission reductions is calculated by applying an internal carbon price mechanism. In addition to reducing the climate impact of its operations and value chain, Paulig also took action to strengthen biodiversity protection, and added Nature to its Sustainability Approach 2030 focus areas.

As a result of Paulig's efforts to reduce climate impact in the wheat value chain, Paulig launched Santa Maria wheat tortillas with up to 50 per cent lower climate impact\*. This reduction was achieved by baking the tortillas with more sustainable wheat flour as well as taking action to lower the climate impact of packaging and production. Paulig also continued to implement climate projects in coffee-origin countries to promote climate-smart farming practices.

Paulig is committed to being a fair and inclusive partner and employer throughout the company's value chain. To strengthen its commitment and further promote Diversity, Equity and Inclusion at the workplace, Paulig launched a group-wide DEI policy.

Paulig is running a significant business transformation program: Horizon, through which we are establishing the foundation for our future operations and growth. The goal is to harmonise our systems and data, and build modern solutions to support One Paulig way of working. Last year, the Horizon program made strong progress with the first go-lives.

\*Lifecycle analysis performed by RISE in 2023 on Santa Maria Wheat Tortilla Original (Medium, 8 pcs), compared to the 2012 study.

The health and safety of Paulig employees remains the company's key priority. In 2023, we continued to focus on strengthening our safety culture across the company. In most of our factories, safety was at a good level. However, in some factories the safety performance was not at the expected level, and for these factories, we have developed targeted programmes to further develop and improve their safety culture. We are committed to achieving our aim of zero accidents and the work continues together with our employees.

Paulig aims for profitable, sustainable international growth. This is driven by our renewed strategy, which places the consumer at the centre. Our vision is to be The Shaper of Popular Food Culture, and our growth strategy enables us to expand to adjacent categories while maintaining strong position with our brands and core business. We want to offer delicious and convenient food concepts and create experiences that are good for both people and the planet.

I would like to express my gratitude and appreciation to all our dedicated employees for their excellent efforts and hard work throughout this challenging year. I would also like to thank our valued customers and partners for their great collaboration. ”

Helsinki, March 2024



Rolf Ladau, CEO of Paulig

2023 was a historically successful year. Our significantly improved performance was driven by increased sales, exceptional operational efficiency and a favourable business environment. We also progressed significantly towards our sustainability targets.

## Strategy 2024–2026

Our ambition is to become one of the fastest growing profitable food and beverage companies in Europe and a sustainable frontrunner in our industry.

To accelerate growth, we have renewed our strategy for 2024–2026 to better align with the evolving needs and expectations of our customers and consumers. Our new strategy focuses on sustainable profitable growth, and it is based on three growth platforms: Enjoyable Shared Moments, Taste Exploration and Re-Imagined Snacking.

Our vision is to be **The Shaper of Popular Food Culture** by 2030. The growth platforms enable us to expand our horizons in new directions and look for growth opportunities, while maintain-

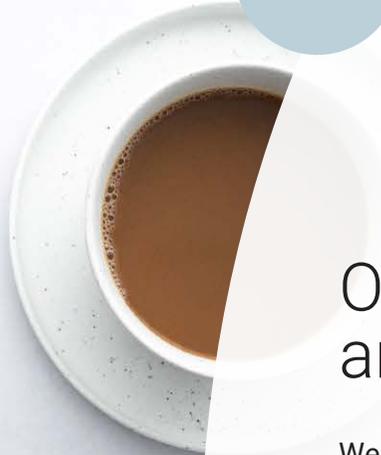
ing a strong position in our current categories.

Safety remains our top priority, and we continue to work towards our goal of zero accidents. Sustainability is embedded in our strategy and business and continues to inform our choices and guide us on our journey.

Our values – **Stay Curious, Strive for Excellence, Grow Together** – lead us on our growth journey towards our vision, so we can deliver on our higher purpose **For a life full of flavour**.



Our new strategy is based on three growth platforms: Enjoyable Shared Moments, Taste Exploration and Re-Imagined Snacking.



## Our brands and categories

We offer a vast assortment of products for Tex Mex and world cuisine meals, spices, coffees, snacks and breakfast options. Our product portfolio is almost 100% plant-based and our ambition is that, by 2030, 70% of our products and services enable the health and wellbeing of people and the planet. Our beloved brands are Paulig, Santa Maria, Risenta, Poco Loco and Zanuy. We also manufacture products for our private label and industry customers.



## World Food

Our World Food products include flavours from worldwide cuisines and consist of three assortments: Tex Mex, in which we are the market leader in Europe, followed by Asia and India. The products are sold under our Santa Maria, Poco Loco and Zanuy consumer brands, and they are manufactured at our factories in Sweden, Belgium, Spain and the UK.

Our **Tex Mex** assortment includes everything needed for a taco meal: for example, tortillas, spice mixes, taco shells, salsa and sauces, pita bread and dip mixes. Our Tex Mex assortment also includes tortilla and nacho chips in various flavours.

Our **Asia** assortment is inspired by the flavours and dishes found in the Asian kitchen. The assortment ranges from noodles, Asian Steamed buns, coconut milk, and sweet chilli sauces to flavouring products such as wok sauces, cooking sauces, spice mixes, pastes and condiment sauces.

Our **India** assortment includes key products such as Naan bread, mango chutney and spice mixes to make the most common Indian dishes like Tikka Masala or Tandoori Chicken.

In 2023, our World Food category performed well and sales grew in all assortments. However, due to global inflation and increasing price consciousness, consumers were choosing private label products over branded ones.

In 2023, our World Foods saw many new products launched. In Sweden, we introduced the delicious Asian Steamed Buns meal, and the rollout to other countries will continue in 2024.

We also introduced in the Nordic and Baltic markets our Santa Maria Wheat Tortillas with up to 50% lower climate impact. The tortillas are baked with more sustainable flour and, additionally, we have reduced the climate impact of packaging and production, resulting in a total reduction of up to 50% on the climate impact\*.

\*Lifecycle analysis performed by RISE in 2023 on Santa Maria Wheat Tortilla Original (Medium, 8 pcs), compared to the 2012 study.

In 2023, our World Food category performed well and sales grew in all three assortments.





## Snacking

Snacking is one of our fastest growing categories and we offer a wide assortment of products: from popped chips to popcorn, corn nuts and bites and a complete portfolio of pellet-based snacks. We sell snacks under our Santa Maria brand and also manufacture snack products for our customers' own brands and our industry customers. Our snacks products are manufactured at our factories in Spain and Belgium.

Our **Santa Maria** snacking assortment includes Santa Maria Pops, a range of crispy lentil and potato popped chips with various flavours. With the launch of Pops in 2023, we expanded our

snacking expertise and entered a completely new, savoury snacking category with our Santa Maria brand. The products have been received well and gained market share as a new challenger. In contrast to more traditional methods like deep-frying, Pops are manufactured by combining pressure and hot air, resulting in a crispy snack of 100% great taste, 60% less fat.

Our savoury snacking portfolio for our **private label and industry customers** includes microwave popcorn, corn nuts and bites as well as pellets and micropellets that can be turned into various kinds of snacks. In the autumn of 2023, we opened a new 3D snacks line at our factory in Berga, Spain, which enables us to expand our product offering and create more innovative and customized snack alternatives with increased capacity. The new line produces a wide range of 3D snacks, featuring various shapes, ingredients, and textures – all gluten free.

In 2023, we launched new innovative Snack Bases with Paulig PRO, our brand for the **Out of Home (OOH)** market. These vegan and gluten-free "smart" snacks products are expanded from pellets and can be served, for example, as bar snacks, side dishes and toppings.

We sell snacks under our Santa Maria brand and also manufacture snacks for our customers' own brands and our industry customers.



# Coffee

Our Paulig coffee products include roasted coffee, cold brewed coffee, chocolate drinks, filter papers and services. We also offer our professional customers complete coffee solutions for offices, cafes and restaurants, stores and other areas. Our solution includes everything from high-quality coffee beans to coffee machines and their maintenance.

Our coffee products are sold in Finland and the Baltic countries (Estonia, Latvia and Lithuania) under the Paulig brand. We are a market leader in coffee in Finland and hold a strong market position in all the other markets as well.

In 2023, our coffee sales increased compared to the previous year, and coffee volumes grew significantly.

During 2023, we launched a few coffee novelties. In March, we introduced new dark roast Paulig Presidentti Sapphire coffee in Finland. In August, we launched medium and dark roasted Paulig Oiva and Paulig Mainio for everyday use, with both Arabica and Robusta beans in their blends. In August, we also entered the decaf coffee category by introducing new Paulig Juhla Mokka Iltä and Paulig Café Los Angeles in the Finnish market. In the Baltic market, we launched the Paulig Mokka ground coffee at the beginning of the year.

Our coffee is 100% from verified sustainable sources. Our coffee is produced at the certified carbon neutral Vuosaari roastery in Helsinki and the Robert Paulig Roastery in Porvoo. We are also working hard towards an even more sustainable value chain including coffee farming, logistics and packaging. In 2023, Finnish consumers perceived Paulig as the most sustainable brand within the beverage industry in The Sustainable Brand Index™ (SBI) survey.

We are a market leader in coffee in Finland and hold a strong position in all the other markets as well.





## Flavouring

Flavouring includes over 600 different products in two assortments: **BBQ** and **Spices**, both under our Santa Maria brand. Most of the products are manufactured at our factories in Estonia and Sweden. The most important markets are the Nordic and Baltic countries and Belgium.

Our wide spice assortment is complemented by organic spices and "World of Flavours", which are exciting spice mixes inspired by cuisines around the world, and the "Extra Fine Selection" of premium spices range.

Our BBQ assortment includes everything needed for creating a whole barbeque experience: from rubs, marinades, grill oils to BBQ sauces in different flavours.

In 2023, the sales of both the BBQ and Spices grew slightly. General inflation and rising consumer prices had an impact, indicating consumers are turning to more affordable private label options.

In 2023, we relaunched our World of Flavours spices and introduced some new products inspired by Asian cuisines: Korean BBQ, Sriracha and Five Spices. In some markets, we introduced our "No added salt" spice range. We also launched Santa Maria BBQ Sauce Original with Less Sugar.

Four of our high-quality spices received the prestigious Superior Taste Award (Santa Maria Black Pepper Tellicherry, White Creamy Pepper, Saffron and Cardamom), granted by the International Taste Institute in Belgium. The jury consists of more than 200 world-class chefs and sommeliers.

Our objective is that 100% of our raw materials from high-risk areas come from sustainable sources verified by external parties. We source spices from all over the world and to reach our aim we have established a sustainable sourcing of spices initiative. During 2023, we added more spices and herbs to the road map and when all of these have been externally verified, we will cover more than 50% of our spices and herbs assortment.

We have over 600 different Santa Maria flavouring products.



## Risenta

Our Risenta brand offers a variety of products, including Seeds & Kernels, Specialty Flours, and Breakfast and Snacking products, among others. The products are sold only in the Swedish market, where Risenta is the market leader within the seeds and kernels and specialty flours product categories.

Risenta's seeds and kernels range includes a variety of different products, such as sunflower and pumpkin kernels, chia seeds and sesame seeds. The breakfast range has mueslis and granolas with various popular flavours. The baking product range includes different flours and grits, with many gluten-free options. The snacking products involve snack bars with sesame seeds and a variety of different unseasoned and seasoned nuts.

In 2023, Risenta's sales continued to be on the same level compared to the previous year. The biggest growth was seen in the breakfast assortment with granolas. Risenta's performance was also affected by the global economy and price increases. With less disposable income, consumers are tempted to choose private label over branded products.

During 2023, we introduced four new Risenta products. The granola range introduced two new flavours: Cacao, Raspberry & Coconut and Pecan & Maple Syrup. We also introduced new fla-

voured & roasted seed mixes in two different flavours: Tomato & Chili and Honey & Cinnamon, both perfect for topping.

Our Almond & Hazelnut granola was named "Breakfast of the Year" by the Swedish magazine MåBra by their annual "Årets Bästa hälsomat panel", consisting of food editors. The winning products were selected on the basis of great taste, list of ingredients, nutritional values, as well as other aspects such as sustainability and climate impact.

In Sweden Risenta is the market leader within the seeds and kernels and specialty flours category.






## Innovations

Innovation plays an important role in the development of our product portfolio, in driving future growth as well as our sustainability actions. In 2023 we launched over 40 new products and services. By offering great products and delicious flavours, we want to bring people together to create and share meaningful moments. In 2023, Paulig was named as one of the top 10 most innovative companies in Finland in the Finnish Innovation Index. The index is a national indicator that focuses on Finnish consumers' perceptions of the innovativeness and attractiveness of companies based on their experiences. Our efforts in both commercial and social innovativeness were credited.

## New product launches

### CASE

#### Santa Maria Pops

In 2023, we entered the Snacking category with our new, innovative range of popped, crispy chips with 100% great taste, 60% less fat. Santa Maria Pops are made by adding heat and pressure to the ingredients, which results in light, crunchy chips, without the oiliness of regular fried potato chips.

The chips are produced at our factory in Berga, Spain. This remarkable collaboration between Paulig Spain and Santa Maria has in record short time together created the foundation for a new Santa Maria adventure.



### CASE

#### Paulig Juhla Mokka Ilta and Paulig Café Los Angeles

In autumn 2023, we launched two new decaffeinated coffees, a new innovation for Paulig. The Paulig Juhla Mokka Ilta and Paulig Café Los Angeles coffees have been developed especially for enjoyable evening moments and to meet the growing demand for decaffeinated coffees.

We are using a chemical-free water method as the caffeine removal method for decaffeinated coffees. Using the water method, nothing but caffeine is removed from the coffee and therefore the other compounds that make up the taste remain, so the good taste of the coffee is preserved.

The coffees are roasted at Paulig's Vuosaari roastery in Helsinki, which has received the CarbonNeutral® building certification.



By offering great products and delicious flavours, we want to bring people together to create and share meaningful moments.

## CASE

## Santa Maria Snack Bases

In 2023, Paulig PRO launched new innovative "smart" snacks for the out-of-home market. These vegan and gluten-free products are a shortcut to professional signature snacks. It takes under a minute to prepare the crispy Corn Cones and Lentil Waves, which can be flavoured with chosen signature spices – creating a unique taste experience for the consumer. Both the Corn Cones and Lentil Waves can be served as bar snacks, side dishes, toppings, with dips or even as ingredients in a Caesar salad, for example.

Santa Maria Snack Bases are delivered as pellets

which expand up to five times their size when cooked. As Snack Bases do not have to be stored chilled or frozen, transportation and storage are made more efficient and sustainable.

Santa Maria Snack Bases are produced at our factory in Berga, Spain.

Paulig PRO is a collection of brands, products and services for the professional market, such as restaurants, cafes, schools, health care and workplaces. The assortment ranges from coffee and beverages to tortillas, chips, spices and sauces. Paulig PRO's main markets are Scandinavia, Finland, the Baltics and Central Europe.

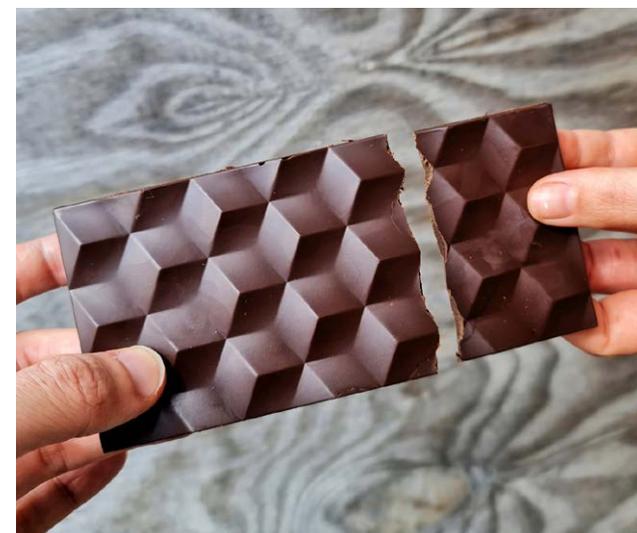


In 2023, the Finnish Innovation Index named Paulig as one of the top 10 most innovative companies in Finland.

## PINC

We are seeking to find new solutions and support innovations also through collaborations. PINC, Paulig's venture arm, invests in early-stage startups with the aim to support innovations enabling a more sustainable future of food.

In 2023, PINC added three new startups to our investment portfolio, each focusing on different aspects of building a more sustainable food culture: from **WNWN's** cocoa-free alternative to chocolate made through advanced food processing, to **Improv'in's** AI-powered sustainability performance platform, and **Amatera's** biotech platform accelerating the sustainable cultivation of perennial crops.



## Our factories

We have in total 11 factories in 6 countries in Europe: in Belgium, Estonia, Finland, Spain, Sweden and the United Kingdom. Our biggest production sites are located in Roeselare, Belgium where we have three factories and more than 800 employees.

In our factories, we manufacture our products for our consumer brands Paulig, Santa Maria, Risenta, Poco Loco and Zanuy. In addition, we also manufacture products for our customers' own brands in Tex Mex and Snacking categories.

Our vast range of Tex Mex products are made in Belgium (tortillas, wraps, tacos, chips and dinner kits in Roeselare), Sweden (tortillas in Landskrona and spice mixes in Mölndal), Spain (tortilla and corn chips and tortillas in Berga) and in the United Kingdom (tortillas in Milton Keynes). Our iconic coffees are roasted in Finland, in the Helsinki (Vuosaari) and Porvoo (Robert Paulig) roasteries. Our delicious snacks come from Spain (Berga & Puig-reig) and Belgium (Roeselare), and our Santa Maria spices are produced in Estonia (Saue) and Sweden (Mölndal). In Mölndal we also we produce a variety of Risenta products such as mueslis, seeds & kernels, flours and different cooking ingredients.

At the end of 2023, seven out of our eleven factories have the CarbonNeutral® building certification. Our goal is to have all our factories carbon neutral by the end of 2025.

Seven out of our eleven factories have achieved the CarbonNeutral® building certification.



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## Winning the digital shelf

**eCommerce focus and development are an important part of our consumer-centric omni-channel business model.**

The COVID-19 pandemic accelerated the shift towards online shopping across various industries, including grocery. As consumer behaviour is constantly becoming more digitalized, importance of eCommerce channel is also growing for Paulig. Our sales through eCommerce channel are already presenting +10% from total Paulig sales.

eCommerce enables us to reach our customers and consumers by being accessible for shoppers across markets in offline and online channels. Presence in eCommerce is also an important part of building and reinforcing our international brand and increasing the global recognition of our brands.

With our omnichannel approach, we aim to serve shoppers in the best way possible both offline and online. In eCommerce search result is our digital shelf. Our aim is to build a perfect digital shelf by ensuring our position in the search results and thus win the searches by being visible at the top of the different product categories.

In 2023 we focused on further building our eCommerce capabilities and tools and strengthening our partnerships and collaboration with priority grocery.com retailers, wholesalers and growing new revenue streams like Wolt and Foodora.



eCommerce enables us to reach our customers and consumers by being accessible for shoppers across markets in offline and online channels.

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**Welcome to Paulig's sustainability report 2023.** This section describes Paulig's sustainability work during the financial year ending December 31st, 2023, covering all operations and companies that belong to the Group. The report is published annually, with the previous sustainability report having been published in March 2023. 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, environmental and safety indicators and the data reported for the sustainable sourcing of spices are assured by a third party.

For more information, please contact Kaisa Lipponen, SVP, Communications and Sustainability, [Kaisa.Lipponen@Paulig.com](mailto:Kaisa.Lipponen@Paulig.com).

## Sustainability highlights 2023

### GROUP-WIDE DIVERSITY, EQUITY AND INCLUSION POLICY

Paulig introduced a group-wide policy for Diversity, Equity and Inclusion (DEI), covering all of its workplaces in 13 countries. The DEI policy strengthens Paulig's commitment to a diverse, equitable, and inclusive workplace. An inclusive company culture, where everyone feels accepted as they are and that they belong, is an imperative for sustainable, ethical growth.



### CLIMATE FUND

We announced a unique Climate Fund to accelerate climate emission reductions in our value chain. The fund was valued at EUR 2.7 million in 2023 and allocated to projects targeting emission reductions in wheat and coffee value chains, logistics and Paulig's own operations. Furthermore, applying the internal carbon price mechanism in our financial planning helps us understand how carbon emissions could affect our profit and loss statement and our investment choices.

### FOOD WASTE WEBINAR

Paulig and EIT Food, Europe's leading food innovation community, arranged a webinar on food waste, bringing together key decision-makers and industry representatives to discuss this urgent issue. The participants explored innovative solutions, and cooperative practices, and emphasised the significance of policy to drive change.

[Rewatch the webinar >>](#)



### EMPHASISING NATURE WORK

We updated our sustainability focus areas and added Nature as part of Paulig Sustainability Approach 2030. In addition to reducing the climate impact of our own operations and value chain, we want to take stronger actions to protect biodiversity and address other nature-related impacts. Currently, we have projects with our partners and suppliers to improve biodiversity by supporting sustainable cultivation methods and regenerative farming.





### LOWER CLIMATE IMPACT TORTILLA

We launched our Santa Maria wheat tortilla with up to 50% less climate impact. This is a continuation of the collaboration with Lantmännen to drive more sustainable cultivation methods. Together with the actions in other parts of the value chain, the reductions contribute to up to 50% less climate impact caused by Santa Maria wheat tortillas compared to 2012 as estimated by RISE in a lifecycle assessment.

### UN CLIMATE CONFERENCE COP28

We joined COP28 to engage with global key stakeholders, exchange learnings from sustainability initiatives, and to push for decisions from international peers, partners, suppliers and political decisionmakers. To cope with the soaring demand for food while mitigating the effects of climate change, we need accelerated action from both private and public sectors, and we need them now.



### HUMAN RIGHTS SCREENING

We conducted a group-wide human rights screening as part of our human rights management work. Through this work, we were able to identify the most salient human rights risks and prioritise them to be able to plan the next steps in the work. The screening also supported an increase in the knowledge and understanding of the organisation on the topic.

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# Managing sustainability

Our ambition is to become one of the fastest growing profitable food and beverage company and a sustainable frontrunner in the industry. 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 grow a food culture for the future and provide inspiration and means for a life that is sustainable, healthy and tasty.

# Driving the transformation of food systems

The food industry has a crucial role to play in providing global climate and health solutions, and now it's time to act. At Paulig, we want to help solve the global challenge of transforming food systems, and to make this happen, the Paulig Sustainability Approach 2030 sets the direction for us and our brands during this decade.

As the world around us keeps changing, we also need to renew and revise our direction to realise our ambition of becoming a sustainable frontrunner within our industry. For this reason, we updated our Sustainability Approach in 2023, including Nature work in the focus areas.

In December 2023, we joined the international climate conference, COP28, in the United Arab Emirates, as for the first time, food systems transformation was in a prominent role at the conference. We engaged with key stakeholders on driving the transition of food systems together, through concrete actions and collaboration in the food value chain.

Positioned in the middle of the food value chain, we not only take independent actions but also influence both directions within the chain by collaborating with our partners. This enables us to address climate and nature as well as human rights issues at the root of where our raw materials come from.

At the other end of the chain, our role is to offer new flavours and inspire consumers with more sustainable choices without compromising taste or convenience. Recognising that current eating habits may not always support people's health and wellbeing, we strive to be part of the solution. The development of our products towards enabling the health and wellbeing of people and the planet creates the very core of our work.

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

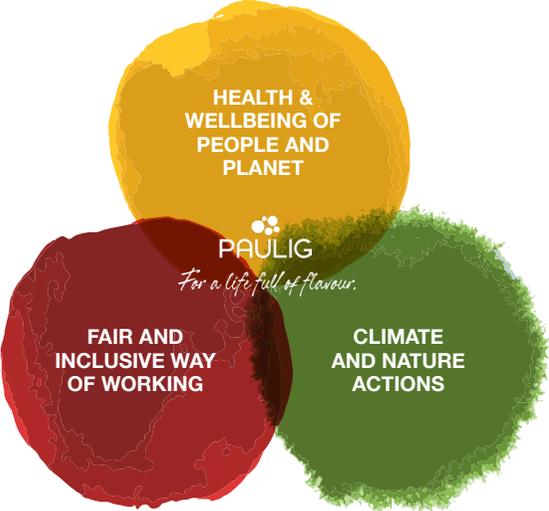
## Paulig Sustainability Approach 2030 is based on three prioritised United Nations Sustainable Development Goals and comprises three focus areas and ambitions

### 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.



Key enablers: Resource efficiency, Transparency, Partnership, Dialogue, Data, Regenerative agriculture, Circularity



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



## Progress towards our ambitions

	AMBITION 2030	PROGRESS 2023	FOCUS 2024	KPI STATUS 2023
 <p><b>HEALTH &amp; WELLBEING OF PEOPLE AND PLANET</b></p>	70% of net sales comes from products and services which enable health and wellbeing of people and the planet	<p>Nutrition framework created, roadmaps developed and several reformulation projects initiated. Nutrition framework integrated in the innovation process.</p> <p>Nutrition framework reviewed and implications on KPI status analysed. Strategic project initiated to update the roadmap towards the goal.</p> <p>Development of planet health framework initiated and core products evaluated in pilot project. Extended pilot of 100 largest (sales) products initiated.</p>	<p>Strategic project to update the roadmap, build capabilities, and drive reformulation projects for the purpose.</p> <p>Update the nutrition framework and analyse new KPI status.</p> <p>Accelerate the work on planet health framework: extended pilot, defining a planet healthy product and estimating KPI status. Decide on definition, create overarching roadmap and initiate full status assessment.</p> <p>Create guidelines on sustainability communication on product level.</p>	45% of net sales of foods & mixed drinks enabling health for people
 <p><b>CLIMATE AND NATURE ACTIONS</b></p>	<p>80% less GHG emissions from own operations,</p> <p>50% less GHG emissions in our value chain</p>	<p>Several energy efficiency projects across sites. Conducted extensive study to map energy savings, electrification and energy alternatives options for our Belgian production site.</p> <p>Collaboration with Lantmännen continued and similar reduction efforts were agreed with Belgian wheat supplier Paniflower. Climate projects on-going with coffee partners in Brazil, Colombia and Nicaragua.</p>	<p>Continue implementation and expanding production site-level deep-dives on energy efficiency, machine replacements and energy alternatives to build detailed longer-term investment roadmaps, particular focus on Spain in 2024.</p> <p>Continue scaling climate projects together with suppliers in coffee and wheat supply chains. Start projects in corn supply chain.</p> <p>Continue identifying and implementing logistic solutions with lower impact.</p>	22% GHG emissions reduction in own operations and 1% GHG emissions reduction in value chain since 2018 baseline
	All our packages will be recyclable and made from renewable or recycled materials	Development on-going for recyclable coffee, tortilla, and spice bags.	<p>Finalise recyclable coffee laminate testing and pilot new material in production.</p> <p>Continue testing and development of tortilla and spice bags.</p> <p>Create detailed implementation roadmaps.</p>	86% of packages by volume recyclable
	50% less food loss in our value chain	<p>ON HOLD</p> <p>Actions postponed.</p>	<p>Create production-site specific roadmaps for food waste reduction in own operations.</p> <p>Initiate planning for food loss in value chain baseline evaluation.</p>	To be defined
 <p><b>FAIR AND INCLUSIVE WAY OF WORKING</b></p>	100% of raw materials from high-risk areas come from sustainable sources verified by external parties	<p>Maintained 100% of coffee from verified sustainable sources.</p> <p>Key actions for the selected spices; black pepper, onion, Indian chilies, oregano, turmeric and cumin implemented successfully.</p> <p>Key stakeholders trained on Paulig basket of accepted standards and 3rd party verification methods.</p>	<p>Implementation of key targets (vol share of 92%) of sustainable sourcing of the six spices in scope.</p> <p>Active supplier engagement to ensure meeting the set targets and identifying opportunities to be included in scope.</p> <p>Continuing building roadmaps for strategy period 2024–2026.</p>	71% of the sourced volumes for the 6 spices externally verified



Now, it is time for our strategic sustainability initiatives to be accelerated and scaled up.

## From first actions towards acceleration

“ We are now four years into the implementation of our Sustainability Ambitions 2030, and we've successfully translated our ambitions into tangible actions, incorporating strategic sustainability initiatives into our business strategy and plans.

Several of our initiatives have made significant progress. Notably, a project adopting more sustainable farming practices in wheat production has, together with other actions, yielded our first lower-carbon product for the consumer: Santa Maria wheat tortilla with a climate footprint that is up to a 50% lower. Witnessing such success underscores the positive impact of collaborative efforts with our value chain partners.

In certain areas, however, our progress has not matched the pace initially set. For instance, achieving carbon neutrality at our own production sites by 2023 faced challenges. Currently, 8 out of our 11 factories have been verified as carbon neutral, and one more is expected to achieve certification in early 2024. For the remaining sites, we had to extend the deadline to 2025 due to challenges in renewable gas availability in some countries.

This scenario exemplifies the challenge. Despite our ambitious goals, determination and efforts, the market readiness is not always aligned. To overcome this hurdle, we have initiated new measures and are exploring additional solutions to reach our ambitions.

### Time to accelerate our actions

In 2024, we are advancing into the next phase in our sustainability work. Now, it is time for our strategic sustainability initiatives to be accelerated and scaled up. Our objective is to replicate and scale them across our

diverse value chains and products, thereby generating greater impacts and offering consumers a broader array of more sustainable choices.

An enabler for scale-up and acceleration is our unique climate fund launched in 2023. With this fund, we aim to scale projects dedicated to reducing emissions in coffee, wheat and corn value chains, as well as in logistics. Having a ring-fenced fund for these projects ensures that budget discussions will not hinder the progress and continuity of our climate work.

To navigate the dynamic landscape of sustainability, we have restructured our sustainability team so that we can not only drive our sustainable transformation but also ensure compliance with the increasing regulatory and customer requirements.

We also decided to expand our sustainability ambitions to include nature matters alongside climate. Notably, these two aspects can be advanced in tandem. Our climate projects, for instance, have already supported sustainable cultivation methods and regenerative farming.

The forthcoming establishment of a framework will enable us to set Science-Based Targets for nature, too. This move also presents a valuable learning opportunity for Paulig, requiring us to venture into new territories.

I am genuinely impressed by our strides toward realising our sustainability ambitions. Let's accelerate the actions together! ”

**Kaisa Lipponen**  
SVP, Communications & Sustainability



# Steering sustainability: Governance and development

Commitment to our sustainability ambitions starts with our Board of Directors. The Board approves the long-term ambitions and regularly reviews sustainability performance against the targets.

Since the launch of our Sustainability Approach in 2020, we have made significant progress towards our 2030 ambitions. Hence, we updated our Sustainability Approach in the spring of 2023 and we are now moving into the next phase of its implementation.

The revision was based on the findings from the strategic sustainability development process that helps us ensure our sustainability work is up-to-date, as well as the outcomes of a **stakeholder survey** carried out in early 2023.

### Sustainability governance

Paulig's sustainability governance model sets out the roles and responsibilities for steering our sustainability actions. The strategic sustainability initiatives are treated as a part of Paulig's strategy process and are integrated into the Paulig annual planning and budgeting cycles. During 2023, we agreed on a reporting format for the strategic sustainability initiatives to improve visibility into execution of the initiatives. We did not succeed in reporting all initiatives according to the plan, but aim to deliver during 2024.

During 2023, our sustainability team was restructured to better support taking and accelerating actions to achieve the ambitious

goals and responding to the growing demands of regulations and customers. Additionally, we see the need to manage environmental and climate measures, as well as social responsibility, more holistically in the future. The new structure is valid from the beginning of 2024.

The governance model was revised in 2023 to strengthen the oversight of human rights management. The responsibility to respect human rights is a baseline expectation of all businesses in all situations. The management is increasingly expected to have an understanding of the challenges and risks related to human rights that may exist in their own operations or in its supply chain and value chains. In 2023, we established the governance for human rights, building on the existing governance model for sustainability. The role of the Board is strengthened to ensure appropriate oversight and management of human rights practices. In 2024, we continue to focus on developing the due diligence processes.

We updated our Sustainability Approach in the spring of 2023 and we are now moving into the next phase of its implementation.

**STRATEGIC SUSTAINABILITY DEVELOPMENT PROCESS**

Monitoring and considering the expectations of our different stakeholders as well as the impacts of global trends and external factors on our approach is organised according to our strategic sustainability development process.

This process defines the inputs and actions, such as adjustments to strategic sustainability initiatives, and related outputs, such as annual situational analyses. The process effectively links our development efforts to other parts of the organisation, ensuring alignment with shared annual timelines.

Paulig's Board of Directors is frequently updated on safety topics and performance. For instance, in June, the Board visited our factory in Belgium to observe various safety aspects within the facilities.

Furthermore, the findings from sustainability reporting assurance and related development areas are reported to the Board's Audit Committee. In 2023, the Audit Committee received training on the Corporate Sustainability Reporting Directive (CSRD). Importantly, the Paulig Board provides the foundation for driving the sustainability initiatives.

Paulig's internal short-term incentive plan continues to be linked with the goal of achieving carbon emission reductions in our own operations, as well as safety performance in our factories. Also, the financing terms are tied to our sustainability target levels and performance.

### Reporting and engagement

The importance of obtaining high-quality sustainability data and establishing robust reporting processes has increased following, among others, the requirements stipulated by the CSRD. Even more importantly, we need reliable, timely data for the effective management of our sustainability work and for accelerating our actions in, for example, greenhouse gas emission reductions in the value chain.

To meet the expectations, both external and internal, we have put significant effort into developing internal sustainability data management practices and processes as well as on improving data quality and timeliness. In addition to delivering results for

**We need reliable, timely data for the effective management of our sustainability work and for accelerating our actions.**

## Sustainability governance model

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

improved sustainability management, the development work around data has contributed to improving cross-functional collaboration. We continue addressing identified challenges with the data, completeness, and accuracy, which also contributes to our preparation for the CSRD reporting requirements.

To keep Pauligians updated on our sustainability focus areas and performance, we utilise multiple channels. Sustainability performance is integrated into quarterly strategy reviews, and all new employees receive an onboarding day that includes an introduction to our sustainability approach. Sustainability-related questions are regularly addressed in stakeholder communications, and we continue improving our ways of communicating sustainability topics and performance. We will develop and implement a sustainability training programme during spring 2024, in the format of an e-learning course, to provide training for the personnel.



## Beyond compliance: Commitment to ethical business conduct

Through our Ethical Principles, we are committed to respecting the United Nations' Universal Declaration of Human Rights in all our operations. These principles also articulate our dedication to promoting ethical behavior beyond legal requirements.

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

The Paulig Code of Conduct for Suppliers extends these ethical principles throughout our value chain that is a part of all our direct sourcing agreements. In indirect sourcing, all new agreements include the Code of Conduct for Suppliers.

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 spring 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.

In 2023, we discussed and agreed on an internal guideline to address the risks related to operating in unstable or high-risk regions. Furthermore, an internal guideline for sustainable sourcing was developed and training on the guidelines has been initiated.

Our policies and guidelines are available at our website [paulig-group.com/sustainability/managing-sustainability](https://paulig-group.com/sustainability/managing-sustainability).

### Whistleblowing: Reporting and responding to ethical concerns

We want our employees to feel comfortable with voicing dissenting opinions and concerns at the workplace. Paulig enables its personnel in all operating countries to report potential issues anonymously via a third-party maintained whistleblowing tool, which is accessible in six languages. During 2023, mandatory local reporting channels were established in Belgium, Sweden and Spain.

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

CONTENTS	Paulig in brief	CEO's review	Our brands and categories	Sustainability				Financial information	Board of Directors' report
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# Mitigating risks, seizing opportunities

A dedicated team evaluates and investigates non-conformities, ensuring that all actions are meticulously logged and handled with strict confidentiality. Cases are reported annually to the Paulig Board of Directors.

In 2023, we received a total of 42 cases, seven external and 35 internal, four of which were either tests or without content. Main areas reported were related to HR, product quality and leadership practices. All cases have been responded to by the team. Most cases did not qualify as whistleblowing cases, but merely expressions of discontent.

Aligned with our sustainability approach, we have identified and assessed the most critical sustainability risks and opportunities for Paulig. Climate change and the loss of biodiversity, recognised as the most significant risks of our time, top the list for Paulig. Additionally, relevant sustainability risks include regulatory and political factors that impact our sustainability efforts, particularly in areas such as supply chain due diligence, deforestation and reporting.

We consistently monitor the regulatory landscape and strategically plan advocacy actions to contribute our insights to legislative processes. Sustainability risks are managed in accordance with the company-level risk management model. In 2023, we started a more comprehensive assessment of the human rights

risks in our value chain, and work continues from that foundation. To meet the requirements of the CSRD and other regulatory requirements, we plan to conduct a comprehensive assessment of climate risks at the group level in 2024, with an initial focus on transitional risks.

We have also identified sustainability-related opportunities, particularly driven by the growing consumer interest in healthy, plant-based options. Through an annual situational analysis, we aim to ensure that sufficient information is available to consider and identify both risks and opportunities.

## In our value chain

### 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.

In 2023, Paulig also conducted a study to understand various long-term impact scenarios for coffee cultivation and consumption. This work feeds into group level assessment on the resilience of



In 2023, we started a more comprehensive assessment of the human rights risks in our value chain.

our assets and key sourced commodities against potential physical impacts of climate change, and to identify and assess the potential impacts of the different speeds of transition to a net-zero world. This work is set to expand iteratively throughout 2024 and in the coming years.

### 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 and this work is set to continue in 2024. Our aim is to understand the nature impacts even further and explore tools and data to help with the assessments and designing the most impactful actions.

Protecting and restoring forests is an essential part of the effort to tackle the loss of biodiversity and to mitigate climate change. 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. We also closely follow the developments with the EU Deforestation Regulation and continue to work with our partner and IT systems to allow timely compliance.

### Human rights

As a food and beverage company, our value chains are global and complex. A considerable portion of our raw materials originate from countries classified as risk countries by the amfori BSCI

(Business Social Compliance Initiative). Recognising contributing factors that heighten risk levels – such as lengthy and less visible supply chains, the presence of seasonal and low-skilled workforces, regions with high migration rates, and countries with poorly enforced or less developed legislation – we acknowledge the necessity for a diligent approach.

When addressing human rights risks, we must evaluate how our actions impact people and communities. This perspective deviates from conventional risk management processes, necessitating a different assessment of the severity and likelihood of impacts. Additionally, there are reputational and regulatory risks associated with adverse human rights impacts in our value chain and operations.

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.

## CASE

### Assessing human rights risks

*In 2023, we conducted a human rights risk screening on our value chain, providing a high-level, comprehensive view of human rights risks at Paulig. The assessment is based on country risk classifications, reports and studies from various organisations 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. We prioritised the human rights risks based on their severity, meaning how grave, widespread, and challenging to remedy they are.*

*Based on this assessment and the existing mitigation measures and controls in place, we identified living income and wage, and forced and child labour as the most significant human rights risks for Paulig. For these prioritised issues, our objective is to conduct human rights impact assessments to deepen our understanding and strengthen measures and controls to mitigate the associated risks and impacts.*

*Other significant risks identified included those associated*

*with health and safety, food safety, access to grievance mechanisms, healthcare, gender equity, and data privacy. Our overarching objective for all identified human rights risks is to continuously improve our ways of working and drive respect for human rights in our value chain.*

*In our assessment of suppliers' human rights-related risks, we utilise country risk assessments, supplier self-assessments, and both our own and third-party audits. Before entering into collaboration with a new supplier, we always perform a comprehensive risk assessment. Additionally, we regularly evaluate our existing suppliers.*

*To fortify 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 in the process of implementing a strategic roadmap for external verifications within the spice sector to ensure sourcing from verified sustainable sources.*



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Our goal is to ensure 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.

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

### Work safety

The health and safety of employees is a top priority for us, and the related indicators are monitored by the sites' management

and 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.

[Read more, People >>](#)

As a food and beverage company, product safety and quality are focal issues for us.

## 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. In 2023, we undertook a comprehensive stakeholder survey to gain understanding of perceptions of our performance in sustainability efforts. The survey not only assessed our current achievements but also sought insights in areas where we might be falling short. Drawing on this valuable feedback and other observations, we updated our Sustainability Approach 2030 to address the identified gaps.

To make an impact, collaboration with our stakeholders is essential. We are faced with systemic and complex challenges, requiring a united effort toward 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 prod-

ucts 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. [Read more, Health >>](#)

Pauligians, our over 2,300 employees, are the key asset to our success. According to our employee survey, Pauligians feel that Paulig is successful in its sustainability work. However, we need to continue driving the engagement and securing that everyone can contribute towards our ambitions. [Read more, People >>](#)

Many of our largest impacts occur in our value chain. To mitigate those, we need the right partners. It is important for us to have a dialogue with our suppliers to understand their challenges and potential. [Read more, Community](#) and [Climate >>](#)

We value the expertise and insights of research institutes and NGOs in broadening our understanding of our impacts and future expectations. We want to ensure we use our resources wisely, which means our actions need to be grounded in and guided by



robust scientific frameworks. Furthermore, we acknowledge that to win the trust of our stakeholders, third party validation is needed for LCA results and statements. [Read more, Health and Climate. >>](#)

Paulig also actively participates in industry associations across our countries of operation. Additionally, we contribute to and express our views on various collaborative platforms. The most important associations and collaboration platforms are listed on [page 76. >>](#)

### Using our voice

We aspire to lead in sustainability by taking action and engaging proactively with our stakeholders to drive positive policy developments.

For instance, during 2023, we contributed to a consultation on

sustainability practices in public procurement in the European Union. During COP28, we joined more than 1,700 companies in the “Later is too late” campaign by signing the call for all countries to deliver the 1.5°C aligned plan.

In November 2023, Paulig arranged a webinar on food waste in cooperation with the European Commission funded food innovation community EIT Food. In the webinar, we brought together key decision-makers and industry representatives to discuss the topic.

In the webinar, a representative from the European Commission introduced the Commission’s proposal to set legally binding food waste targets. The panellists voiced support for the proposal, agreeing that policy and regulations would go a long way to reward responsible business and consumer behavior, and significantly step up the efforts to tackle food waste.

### Keeping pace with compliance and change

The regulatory landscape concerning sustainability is changing rapidly in the European Union. Paulig fully supports the EU’s regulatory push to enable the green transition. To ensure its efficiency, we advocate for well-informed law-making that is based on scientific impact analysis.

At the EU-level regulatory development, our focus is on the Deforestation Regulation, the Corporate Sustainability Due Diligence Directive, the packaging and packaging waste regulation, the proposal for the Green Claims Directive and the front-of-pack nutrition label.

### STAKEHOLDER SURVEY

We conducted a sustainability stakeholder survey in early 2023 to map the expectations for Paulig and inform the revision of our Sustainability Approach. The survey was distributed directly to key external stakeholders, such as customers and suppliers, and also shared on our social media channels. We gained 112 responses, including 55 from Paulig employees.

The feedback we received was invaluable, highlighting both our successes and areas for future development. Suppliers particularly stressed the need to focus on the livelihoods of farmers, while the need to amplify our focus on nature and biodiversity topics were brought up by various stakeholder groups. Paulig employees acknowledged our advancements in climate initiatives but recommended further attention to the focus area “Health and wellbeing of people and the planet”, as well as a stronger connection to our products.

Our customers pointed out the importance of more effectively reporting our performance against established targets, an area we also recognise as needing improvement.





We find it unfortunate that a legislative proposal of a harmonised, mandatory, front-of-pack nutrition label has not progressed in the EU decision making process. Paulig continues to support harmonised front-of-pack nutrition labelling across the EU and endorses Nutri-Score as the label.

We have begun building the approach and setting up processes to comply with the EU Deforestation Regulation. Paulig also participates in several multistakeholder groups seeking to solve open questions and address challenges related to the implementation of the regulation. Simultaneously, we continue the work within our value chain to do our part in protecting and restoring forests.

Paulig participates in several multistakeholder groups addressing open questions related to the EU Deforestation Regulation.

## CASE

### Paulig urged action to transform food systems at COP28

For the first time, food systems transformation was in a prominent role at the international climate conference, COP28, and Paulig joined to meet the key decision-makers from our global sourcing countries and partners as they were convened together.

Paulig's main objective for the conference was to engage with key stakeholders on driving the transition of food systems together through concrete actions and collaboration in the food value chain. Paulig joined COP28 as one of the partners of Business Finland for the Finland Pavilion.

Paulig's representatives participated in discussions, forged connections with stakeholders, exchanged valuable experiences and insights on sustainability initiatives and heard leaders and policymakers from around the world talk about the critical importance of the green transition and why it needs to happen now.

In addition to bringing food industry viewpoints to the table, Paulig provided the visitors of COP28 with refreshments in the form of coffee. The coffee corner was implemented in cooperation with Finnish companies Outokumpu and Huhtamäki.



## Our economic impact

As an international company, our operations exert direct and indirect economic impact on the economies where we are present. Our direct economic impacts encompass procurement of goods from suppliers, wages and benefits paid to employees, dividends distributed to shareholders, and income taxes contributed to the public sector.

The indirect impacts are most pronounced in our supply chain. Sourcing raw materials, products, and services from nearly 80 countries, we actively contribute to the creation of business and job opportunities throughout the value chain.

## Our tax payments and policies

### Our approach to taxes

Our approach to taxes is guided by our tax policy, ensuring steadfast compliance with regulations, transparency, cooperation with authorities, and effective management of tax risks. The Board of Directors approves our tax policy, subject to annual reviews.

At Paulig, we are dedicated to paying the correct amount of taxes in the appropriate country and at the right time. Our business models are driven by commercial rationale, and taxes are paid in accordance with the principle of value creation. Our transfer pricing policy adheres to the arm's length principle, following the OECD Transfer Pricing Guidelines and local regulations in our operational countries.

To uphold transparency in taxation, we commit to complying

with all applicable tax reporting obligations and promptly disclosing necessary information to tax authorities when requested. We strive for predictability in tax matters, preferring proactive communication and seeking advance rulings with tax authorities whenever possible.

The international tax framework is undergoing rapid changes due to numerous legislative initiatives from the OECD and EU aimed at addressing aggressive tax planning.

To mitigate tax risks, we closely monitor legislative developments in our operational countries and engage early to implement necessary changes in our processes. We believe that internal guidelines, training, documentation, and pre-defined processes are key measures for effectively mitigating tax risks.

### Our tax payments

In 2023, the paid direct income taxes by Paulig were EUR 9 million. Approximately 58% of income tax payments were made in Sweden, 26% in Belgium and the rest in the other countries in which we operate. In Finland the corporate income taxes paid in excess in advance in 2022 were received in 2023.

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 economic value creation and distribution 2023, MEUR






## Products enabling the 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 nearly 100% plant-based, and we remain committed to developing our products in a healthier direction as well as innovating new products that are better for both people and the planet. Alongside systematically improving the nutritional quality and reducing the environmental footprint of our products, we take food safety and quality with the utmost seriousness.

## Road to our ambition

Global food production imposes a great strain on the climate and ecosystems, while unhealthy diets markedly increase the risk of morbidity and mortality. It is essential for both people and the planet to shift towards more sustainable diets, and Paulig aims to drive the industry in the right direction. The necessary transition to a sustainable food system presents an opportunity for us as a food company to offer sustainable options that are in line with the demands of consumers today, now and in the future.

Today, our product portfolio is nearly 100% plant-based, and we have been working to improve the health aspect of our products for years. To accelerate the work towards healthier products, in 2020, we set a sustainability goal of having 70% of net sales in

2030 coming from products and services which enable the health and wellbeing of people and the planet. Since then, we have charted a robust course towards this goal.

To begin with, to clarify what we mean when we say a product enables health for people, we developed a nutrition framework based on the front-of-pack nutrition label Nutri-Score. This framework guides the evaluation of our status, allowing for continuous monitoring and development of our product portfolio. This has been instrumental in identifying focus areas and creating roadmaps to achieve our health ambition, with implementation throughout the organisation.

In 2023, the cornerstone of the nutrition framework, Nutri-Score, underwent significant updates to its algorithm. Conse-

### 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





It is essential for both people and the planet to shift towards more sustainable diets, and Paulig aims to drive the industry in the right direction.

quently, we undertook thorough work to adjust our internal tools for evaluation and monitoring. We analysed the implications of the updated algorithm for our portfolio's status and we will modify the framework accordingly. Actions have been taken to systematically expedite the reformulation work.

Secondly, significant strides have been taken to establish a framework to define a product that enables health for *the planet*, and the work towards this will continue in 2024.

## Paulig's nutrition framework steering our way forward

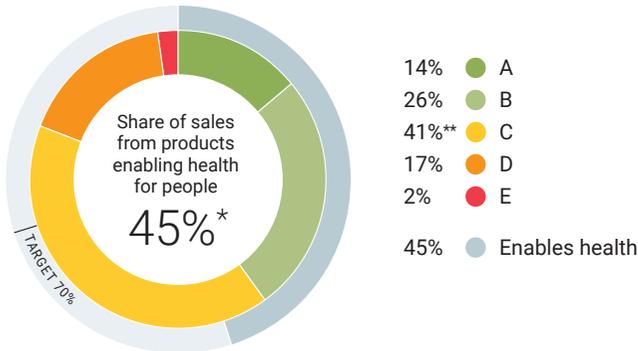
Paulig's nutrition framework is built upon Nutri-Score, a widely used front-of-pack nutrition label in the EU, developed by independent researchers. Endorsed by esteemed organisations such as the World Health Organisation's International Agency for Research on Cancer (IACR) and the European Consumer Organisation (BEUC), Nutri-Score evaluates products based on established nutrients and food groups known to impact health.

In Paulig's nutrition framework, we have further refined the criteria to acknowledge food groups as healthy in accordance with dietary recommendations, contributing better to the development of products with a variety of healthy ingredients. We measure, monitor

and report our status using both the original Nutri-Score and our internally developed version. The latter is currently the benchmark for our ambition KPI of achieving 70% sales from healthier products.

The share of healthy sales for 2023 mounted to 45% with the following distribution of total sales according to the further developed Nutri-Score: A, 14%; B, 26%; C, 41%; D, 17%; E, 2% (see figure). The distribution of sales according to the original Nutri-Score did not come far behind: A, 12%; B, 26%; C, 41%; D, 18%; E, 3%. The share of healthy sales is similar to last year's share of 46%, and the slight decrease is explained by the growth in the snacking category and that the strategic reformulation actions to reach 70%

Paulig Nutrition KPI Framework



\*Unallocated net sales, representing 6% of the overall net sales, are excluded. The unallocated sales include, for example, intra-company sales, non-food/drinks 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 42%.

\*\*13% of yellow C products applies to flavouring, contributing with 12% to the sales enabling health for people and 5% to the total net sales.

healthy sales by 2030 require time before hitting the market.

The Nutri-Score algorithm underwent substantial changes in 2023 to more rigorously categorise products based on their nutritional quality. Throughout the year, we worked diligently to integrate these changes into our systems, conducting a pre-assessment of our product status. A revision of the framework will be done in 2024. As anticipated, the assessment revealed a significant impact on our portfolio status, measured against our ambition. Considering these changes and the acquisition of the snacks company Liven after the creation of our previous roadmaps, we initiated the planning of a strategic initiative on reformulation.

This strategic initiative, scheduled for execution in 2024, adopts a systematic approach to reviewing the nutrition framework in accordance with the updates of Nutri-Score and the road towards our goal. It identifies the significant opportunities and product groups to target, maps out reformulation solutions and updates the roadmap towards 2030.

In parallel to our work, the European Commission is working on a legislative proposal for a harmonised front-of-pack nutrition label. This may or may not result in Nutri-Score or a similar model, introducing uncertainty to our work. Nonetheless, we strive to be



## NUTRI-SCORE AND PAULIG NUTRITION KPI FRAMEWORK

Developed by independent researchers, Nutri-Score currently stands as the most extensive-ly used front-of-pack nutrition label in the EU.

Nutri-Score categorises food products based on their nutritional quality, presented transparently through a five-graded colour-coded scale, ranging from A (dark green) to E (dark orange). Nutri-Score is derived from the sum of “unhealthy points” and “healthy points” generated from the content of nutrients and food components with well-established health effects.

The components contributing to:

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

In Paulig’s nutrition framework, Nutri-Score is developed further with regard to one of the parameters yielding healthy points, namely the “healthy food component”. This category encompasses fruits, vegetables, herbs, legumes, nuts and certain oils. Our framework also al-

lows whole grains, seeds and spices to be acknowledged as healthy. Additionally, flours and purées of foods, with no removal of parts except for water, are considered healthy.

These modifications are aimed at enhancing guidance for product development and the inclusion of a variety of healthy components in our products. Given the recent update to the Nutri-Score algorithm, with a transition period from 2024 to 2026, we will review our framework accordingly in 2024.

For a product to be classified as enabling health for people, it should generally receive a green colour score, as defined by our nutrition

framework. However, for products like spice mixes and marinades intended for dilution upon consumption, a yellow colour is applied, as Nutri-Score evaluates all products based on a 100-gram quantity.

Our pure drinks, coffee and tea are currently exempt from the nutrition framework, pending updates in Nutri-Score’s drink category, scheduled for implementation in 2024. Concurrently, Paulig supports the Institute for Scientific Information on Coffee and is directly involved in funding research projects on coffee and health.

prepared for and make use of whatever emerges. Continuous monitoring of EU frameworks, guidelines and regulations within nutrition and sustainability guides our efforts to be in line with, provide input and surpass industry standards.

### Building a framework for planet health

When it comes to planet health and the assessment of individual food products, the evaluation becomes even more complicated. To establish a framework for evaluating our products against planet health criteria, we have delved into existing environmental impact scoring and evaluation methodologies. This process involved scrutinising different environmental impact categories to include, identifying data sources for the assessment and establishing thresholds for overall scoring to meet the criteria for enabling planet health.

We have piloted an independent product sustainability impact evaluation tool that harnesses numerous datasets and scientific sources. This tool assesses 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, we conducted a targeted pilot project on ten key products to further refine the planet health assessment criteria on a product level.

We also initiated an extension to the pilot encompassing our 100 most significant products in terms of sales. This second phase, expected to be completed in the first half of 2024, aims to finalise the definition of a product that is healthy for the planet. It will also pave the way forward for assessing the status of Paulig's entire portfolio. Additionally, we keep a close eye on EU-level progress to align our impact assessment and communication of product sustainability.

### Integrating the nutrition framework in our innovation process

Our nutrition framework enables us to identify and prioritise major opportunities for reformulation in alignment with our 2030 health ambitions. Building on our previous achievements, we have for example reduced additives, salt, sugar and saturated fats in Tex Mex products, while increasing the use of fibre, herbs, spices and natural ingredients.

**We have integrated the nutrition framework into the broader concept and innovation process across the entire organisation.**

Besides improving our existing products, we have integrated the nutrition framework into the broader concept and innovation process across the entire organisation. This ensures that all our development efforts are evaluated through the nutrition framework, reinforcing our commitment to the health ambition.

Throughout the innovation process, starting already at the early concept development phase, the nutrition framework is a focal consideration. If a concept aims to comprise any health communication or claim, it must meet the criteria set in our nutrition framework for a product enabling health ("a healthy score") to proceed.

Even for concepts with focus areas other than health, a healthy scoring shall nevertheless guide the product development throughout the entire innovation process. In cases where a healthy score is not attained, there are checkpoints for alignment or evaluation of the implications towards our health target.

Our ambition extends to developing tasty vegetarian products and delicious recipes to help everyone succeed in preparing vegetarian food. One significant hurdle to embracing more plant-based food is the consumer concern that it may not be as tasty. Our aim is to dispel this fear and change the perception by creating plant-based options that are not only health-conscious but also delicious.

### Building shared capabilities

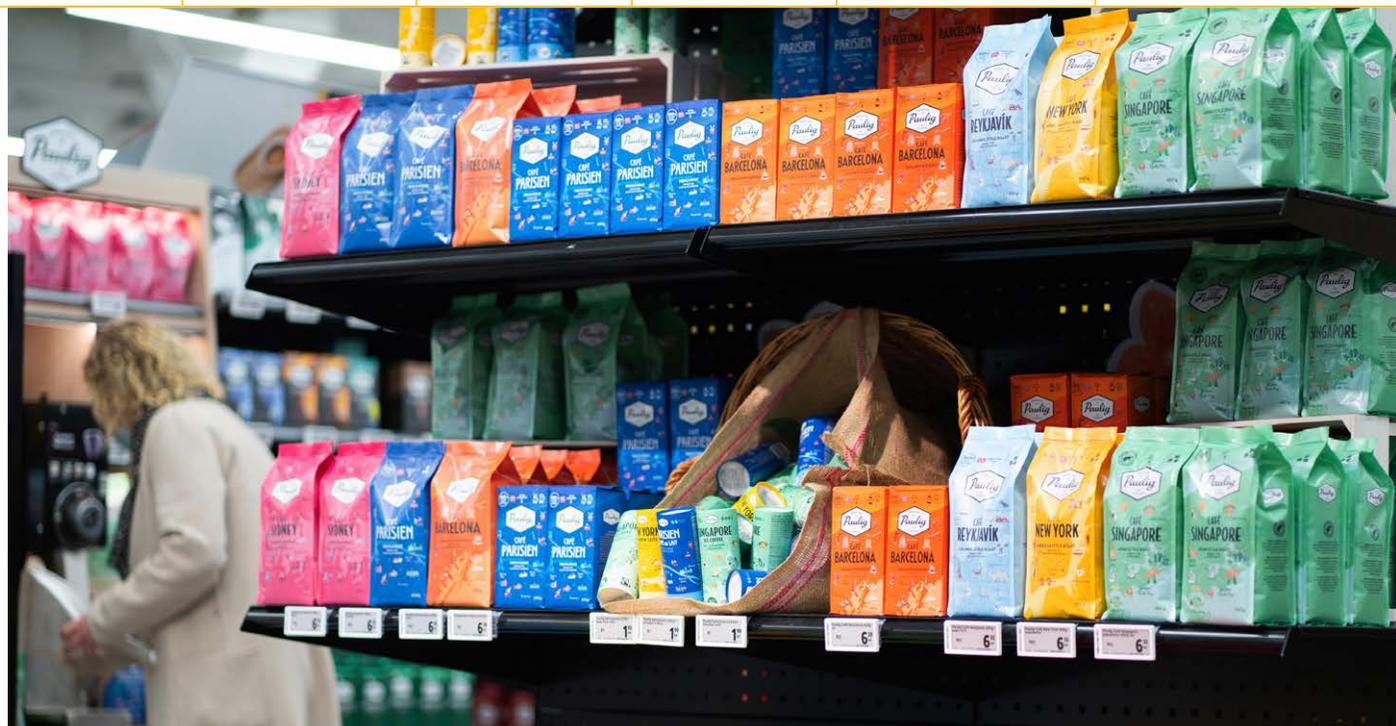
Gathering detailed information on ingredient and nutritional content for over 5,800 products to calculate the Nutri-Score and our



own nutrition framework has proven to be challenging. This comprehensive exercise, essential for evaluating our progress towards the ambition, will be repeated annually to include new and reformulated products.

To address this challenge, we are in the process of developing an automated IT process that continuously assesses the status of product sales in line with the nutrition framework for the entire Paulig portfolio. This automated process will streamline data gathering, monitor our progress and allow for simulations of various R&D scenarios, providing a systematic approach and assisting in decision-making.

In 2023, we closely monitored the new Nutri-Score algorithm, the foundation of our nutrition framework, and adapted our internal data processing tools to comprehend its implications for our goal status. We also explore opportunities and identify synergies with a multi-year, Paulig-wide programme aimed at harmonising and streamlining systems, data and processes, and to support one Paulig way of working.



## Transparent labelling of nutritional quality and health claims

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

Paulig has been actively involved in local and EU-level advocacy and welcomes the legislative proposal for a harmonised front-of-pack nutrition label. We are closely monitoring the ongoing development, and we are ready to align our nutrition framework and labelling in accordance with the final decision.

### Responsible use of sustainability claims

The EU-legislative proposal for a harmonised front-of-pack nutrition label is expected to incorporate regulations regarding the nutritional quality of products featuring a nutrition or health claim.

The objective is to prevent the use of specific claims regarding products with an unhealthy overall nutrient profile, which may be misleading for consumers.

Additionally, the forthcoming EU legislation designed to combat false green claims, i.e. greenwashing, will necessitate companies to justify their environmental claims with a standardised methodology to assess their impact on the environment. The directive aims to provide consumers with reliable, comparable and verifiable information regarding the environmental impacts of products. This creates an opportunity to communicate on well-performing products.

At Paulig, we have already taken measures regarding the responsible use of nutrition and health claims. The green colours of the Paulig Nutrition KPI Score in our nutrition framework not only define a product as "enabling health for people" but also as a product suitable for using claims regarding nutrition or health.

Furthermore, any health claims intended for use on packaging or related product communication undergo a thorough evaluation by the Paulig Legal Advisory Board to ensure the correct interpretation of legislation and the responsible use of the claim, and established internal policies. Going forward, a similar structured approach will also be necessary for environmental claims.

Moreover, we have piloted a tool that streamlines and assists in interpreting the use of nutrition and health claims through a digitalised process. In a broader context, all our claims and communications are guided by Paulig's Responsible Marketing & Communications Guidelines, which commit us to the principles of integrity, accuracy, honesty, transparency and inclusivity in all our messages. We develop our approach to environmental and other sustainability claims to ensure that we meet evolving stakeholder expectations and regulatory requirements.



### RETHINKING SALSA WITH THE FLAVOUR WHEEL

Santa Maria salsas have been relaunched for out-of-home, accompanied by a flavour wheel that illustrates how the salsas differ and complement each other in terms of taste. Four out of six salsas contain no added sugar, and all meet consumer expectations of being plant-based and free from preservatives.

### REDUCING THE SALT, NOT THE TASTE!

We eat twice as much salt as we should. In 2023, Santa Maria launched a range of five spice mixes with no added salt, for the most common dishes. Many people think that food has no flavour without salt. This may be true at first, however taste buds soon become accustomed to less salt and you are more likely to enjoy food with less salt, and more flavour.

### ADDING SOME EXTRA WITH SEEDS & KERNELS

Roasted and flavoured seed mixes add that extra bit of crunch, taste, and nutritiousness to any meal. The two flavour variants are perfect for topping breakfast or savoury dishes, and they can also be enjoyed as a snack. Both seed mixes are rich in fibre, vitamin E, magnesium, and phosphorus.

We have reduced additives, salt, sugar and saturated fats, while increasing the use of fibre, herbs, spices and natural ingredients.

# Incubating positive impact through investments

We actively seek innovative products and solutions that benefit both people and the planet. Paulig's venture arm, Paulig Incubator (PINC), invests in early-stage European startups with a high degree of innovation that aligns with our vision to contribute to a sustainable food culture.

PINC was launched to keep Paulig at the forefront of relevant innovations while contributing to a tastier, healthier and more sustainable planet. The primary focus for PINC is on societal impact, coupled with the goal of establishing a strategic connection between Paulig and the start-ups.

For instance, **Kaffe Bueno**, PINC's inaugural investment, upcycles coffee side streams into valuable ingredients for personal care, nutrition and agriculture. Given Paulig's commitment to circularity, supporting such ventures is deemed highly strategic.

PINC invests across the agrifood value chain with a focus on three major impact themes:

- 1. Improving human and planetary health within the current food system.** This involves innovations in agriculture such as advanced crop breeding or green fertilizers as well as innovative ingredients and next-generation plant-based/healthy foods as well as data solutions for tracking and reporting climate and nature footprints.
- 2. Inventing novel technologies to feed 10 billion people by 2050.** Exploring "post-agriculture" technologies such as precision fermentation and cell-culture. This approach to some extent decouples food production from land, although the input may still need to be grown on land. This is essential for sustainably producing enough food for the growing global population.

**3. Creating a circular system for food & material.** Regardless of whether we grow our food on land or in bioreactors, the system must be circular and minimize waste. This includes upcycled ingredients, sourcing food from unused sources, reducing or introducing new packaging, and various technologies to improve shelf life and prevent waste.

## Our way of creating an impact

PINC operates like any other professional venture capital unit. However, being an evergreen fund, it does not have a pre-determined exit timeframe. PINC specializes in early-stage investments, focusing on pre-seed and seed stages where conventional venture capital is relatively scarce, allowing us to make a more significant impact.

Our typical entry ticket size ranges from EUR 200,000 to 700,000. We actively engage and, as a lead investor, take a seat on the board. As a PINC portfolio company, the level of support provided to the startup is tailored to its specific needs and our role in the investment.

For example, in **For Real! Foods**, known for its nutrition-dense and delicious pizza with a base made of white cabbage and beans, there is joint Paulig/PINC participation on the board. We provide support in various areas, including product development, sales and sourcing.

In contrast, in **Improv'in**, an AI-powered platform driving emission reductions in the agrifood value chain, we do not sit on the board. What we do is assist with relevant customer introductions, leveraging our network and experience in supporting startups and scaleups.



Co-founders of Melt&Marble, Anastasia Krivoruchko and Florian David.

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### Contributing to a more sustainable planet

PINC's impact is driven by the collective contributions of its portfolio companies, many of which are dedicated to climate change mitigation or the responsible use of natural resources like water. Kaffe Bueno, **WNWN Foodlabs** and **Willicroft**, for instance, offer products with significantly lower emissions compared to their more traditional alternatives, as indicated by life cycle analyses. WNWN's cocoa-free alternatives to chocolate have an 80 – 90% lower carbon footprint than regular chocolate.

In the past year, Improvin' demonstrated the effectiveness of its AI models using 47 million hectares of satellite data, engaging over 10,000 farmers in reducing climate impact and, through them, impacting 500,000 tonnes of food. Notably, their work extensively involved winter wheat, aligning well with our tortilla production.

PINC extends its focus to climate adaptation, an example be-

ing **Amatera**, addressing the climate threats faced by coffee and other perennial crops.

Additionally, PINC emphasises promoting people's health through ventures like For Real! Foods, disrupting conventional convenience foods with clean-label, nutrition-dense pizzas. Frequently, our startups make a positive impact across multiple areas. For instance, Willicroft not only offers a more sustainable alternative to cheese and butter but also provides healthier options than the alternatives currently available in the market.

In addition, PINC has invested in, for example, **Melt&Marble**, a developer of animal-mimicking fat for plant-based meat and dairy alternatives, and **Evodia Bio**, a bio-industrial company that reinvents the production of natural aromas.

*For an overview of the portfolio, please read more >>*

The primary focus for PINC is on societal impact, coupled with the goal of establishing a strategic connection between Paulig and the start-ups.

## Managing Quality and Food Safety

Ensuring food safety and quality is of paramount importance to us, and serves as the cornerstone of building trust with our customers and consumers. Our commitment to safeguarding the quality and safety of our products is seen from the cultivation and sourcing of raw materials all the way to the end consumer.

To uphold our stringent standards, we proactively assess risks and regularly engage with our suppliers to review their quality and food safety management practices.

In our production processes, we carefully adhere to established procedures, ensuring that the different process phases never fail. Our quality and food safety protocols are in line with certified management systems such as ISO 9001, FSSC 22000, and BRC Food. All of our production sites are certified according to the food safety standard approved by the Global Food Safety Initiative (GFSI). *Refer to page 79 for a comprehensive list of Paulig's management systems. >>*

To continually manage risks related to quality, food safety and food fraud, as well as to ensure legal compliance regarding raw materials, packaging, semi-finished and finished products, we implement extensive incoming control plans. We also learn from

industry incidents and regularly update our control plans, expanding their scope as needed—such as enhancing inspections for ethylene oxide and incorporating spot testing for various raw materials. In addition, control of pyrrolizidine alkaloids has been added where relevant.

An essential part of meeting customer and consumer expectations is frequent analysis of our finished products. For example, every batch of coffee that leaves our factories undergoes sensory evaluation by trained tasters. Additionally, we monitor chemical substances like acrylamide and furan in coffee and tropane alkaloids in organic corn chips.

### Ensuring consistent legal compliance

Monitoring and ensuring legal compliance are crucial aspects of our operations. To enhance efficiency and expand coverage, we have introduced a new, harmonised compliance assessment process and tool. This tool actively tracks regulatory updates and global news, empowering us to proactively address and ensure legal compliance.

To maintain a consistent legal compliance practice, we adopt



a proactive approach, initiating investigations and preparations well in advance of new legislation coming into effect. An illustrative example is our dedicated effort to reduce acrylamide levels in affected products in anticipation of the new legal limits set to pass into law in 2024. This work has been marked by close collaboration with our suppliers.

Facilitating our legal compliance initiatives, the Paulig Legal Forum diligently tracks and communicates upcoming legislation concerning food and packaging materials. This internal network, comprised of representatives from the countries in which we operate, keeps up to date with local legal developments, sharing insights through quarterly Legal Forum meetings and newsletters.

Moreover, the Paulig Legal Advisory Board (LAB) provides support to our quality and marketing personnel in interpreting complex or challenging aspects of food legislation. Comprised of experts in Legal affairs and food law, including labelling and health claims, Paulig LAB assists in interpreting ambiguous or divergent regulations, offering guidance on compliance in such instances.

### Developing our food safety culture and tools

In addition to implementing technical and compliance measures, we are committed to fostering a unified food safety culture through

hout our organisation. While we already have strong local examples, we pursue a shared culture and tools that encompasses the entire company.

In 2023, we took a significant step by launching the Paulig Food Safety e-learning programme to further develop and establish a cohesive and robust food safety culture. The training is mandatory for all Paulig employees and is offered at two levels – basic and advanced – depending on the employee's role.

To enhance food safety competence and awareness within Paulig, we have introduced a Quality Champion programme. This programme focuses on training designated individuals to serve as advocates for quality and food safety culture within their respective teams. The objective is to ensure that considerations related to quality and food safety are integral to our daily work.

### Efficient processes for recalls and withdrawals

Ensuring the health of consumers is our primary responsibility. However, we understand that things can sometimes go wrong, which requires an efficient process for prompt and proper actions. Recalls and withdrawals may be initiated by a supplier, our own operations or prompted by authorities or customers. Regardless of how a case is initiated, a rapid response and the implementation of appropriate measures are crucial to protect consumers from potential harm.

mentation of appropriate measures are crucial to protect consumers from potential harm.

We had our share of recalls and withdrawals during 2023, with those related to food safety primarily stemming from challenges associated with raw materials and suppliers. The most extensive food safety-related recall we had during the year was prompted by spot test findings of pathogenic bacteria in ambient cheese dip sauce. This recall involved multiple batches and several markets worldwide.

The key lessons from this incident led to improvements in risk assessments and supplier management. Additionally, it provided us with valuable lessons on enhancing internal management and processes for large-scale recalls.

**In 2023 we launched the Paulig Food Safety e-learning programme to further develop and establish a cohesive and robust food safety culture.**

## CASE

### Teff Flour Recall: Safeguarding Consumer Wellbeing

*In May 2023, we became aware of an alert through the EU authorities (RASFF alert) concerning high levels of tropane alkaloids (TA) in teff flour. Despite our supplier's assurance that the teff flour we sourced from them was unaffected by the specific recall, we conducted further investigations and identified high TA levels in our Risenta teff flour.*

*Tropane alkaloids are natural toxic compounds found in some weed plants. The co-harvesting of weeds with grain crops can lead to TA ending up in food. In small doses, tropane alkaloids pose no health issues, but slightly larger quantities can result in temporary symptoms such as nausea, dizziness, dry mouth and an increased heart rate.*

*As there is no legal limit for tropane alkaloids in teff flour (EU*

*legislation at the time only set limits for TA in millet, sorghum, maize and buckwheat), we conducted a food safety risk assessment for a Risenta recipe involving pancakes made with teff flour. The assessment revealed that TA levels in the pancake would exceed recommended limits for consumer safety, leading to a voluntary recall of the teff flour.*

*As a result, we updated the teff flour specifications, establishing TA limits, and urged our suppliers to comply with these limits. Additionally, TA was incorporated into the incoming inspection sampling procedure for future teff flour deliveries. The recall process also highlighted areas for improvement in internal communications to prevent misunderstandings and ensure an efficient process.*



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# Climate and nature actions

Paulig has set ambitious climate targets approved by the Science Based Targets initiative. Our ambition is to achieve an 80% reduction in absolute greenhouse gas emissions from our own operations and a 50% reduction from our value chain by 2030, using the 2018 baseline. In 2023, we intensified our focus on nature, elevating it among our priority sustainability ambitions. Along with these ambitions, we are dedicated to advancing circularity. We have set a target for all our packaging to be recyclable by 2025 and made from renewable or recycled materials by 2030.



## CLIMATE AND NATURE ACTIONS

### 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

## The road to our ambition

The food system accounts for over a third of global human-caused greenhouse gas emissions, playing a significant role in the climate and biodiversity crises we currently face. At Paulig, our commitment is to be part of the solution, aligning ourselves with the 1.5-degree pathway. As we strive to become one of the fastest-growing food and beverage companies in Europe and a sustainable frontrunner in our industry, we recognise the necessity to decouple emissions growth from our business expansion in the upcoming years.

In 2023, we intensified our focus on nature, elevating it among our sustainability ambitions. We are continually assessing our dependencies on nature and, while our ongoing projects with suppliers already include activities to enhance biodiversity and water

management, we are currently formulating specific targets to comprehensively address our impact.

Our ambition is to achieve an 80% reduction in greenhouse gas emissions from our own operations and a 50% reduction in emissions from our value chain by 2030, based on a 2018 baseline. These targets, approved by the Science Based Targets initiative in 2020, will be updated in line with the new land-intensive sectors (forest, land and agriculture, FLAG) guidance from the initiative in 2024–2025.

The vast majority of Paulig's carbon footprint, 96%, is derived from our value chain, particularly linked to the agricultural production of raw materials. While the climate impact within our value chain is noteworthy, our efforts are also geared towards empow-





ering farmers to better adapt to the changing climate. Through close collaboration with key partners and farmers in wheat, coffee and corn supply chains, we strive to achieve emission reductions and enhance farmers' capacity and resilience.

In 2023, we launched the first Santa Maria wheat tortilla with a reduced climate impact. The outcomes of climate-smart farming practices will become more evident in our 2024 emissions reporting. Looking ahead, we plan to further leverage the insights gained from wheat farming partnerships to address emissions in our corn value chains.

Although our Scope 3 emissions decreased by 1% in 2023 compared to the baseline year 2018, they increased by 5% from the previous year, driven by the steady growth of our Tex Mex category. Therefore, addressing the emissions related to wheat value chains remains a future focus for us.

While our own operations contribute only 4% to Paulig's total emissions, we remain dedicated to systematic emission reduction efforts and efficiency improvements. We were able to reduce emissions across our sites despite growing production volumes. In 2023, our absolute emissions were 22% lower than the baseline year of 2018.

In 2023, we continued several projects involving heat energy recovery, machine replacements and piloting new equipment such as solar ovens in Spain. From an emissions perspective, the

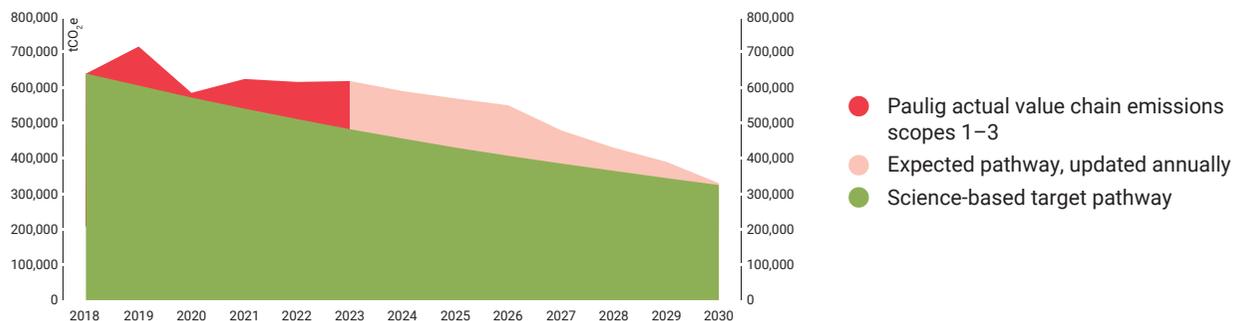
most significant strides were made through a partial switch to biogas at our Belgian, Spanish and Estonian sites.

In pursuit of circularity, our packaging development teams are actively testing recyclable options for our coffee, tortilla and spice products, with the goal of meeting our milestone of 100% recyclable packaging by 2025. Currently, 86% of our consumer packages are recyclable, with the most challenging part of the journey ahead involving covering the remaining 14%.

Additionally, our ambition is to halve the food loss in our value chain by 2030. To achieve this, we plan to initiate a new strategic sustainability initiative relating to food loss in 2024 with the first focus on food loss from our own operations. To set a solid foundation, we will start by collecting baseline data and identifying best practices.

While the climate impact within our value chain is noteworthy, our efforts are also geared towards empowering farmers to better adapt to the changing climate.

Emissions reduction path to 2030 (tCO<sub>2</sub>e)



# Climate and nature actions across our value chain

## Collaborating for an impact in the value chain

As part of our commitment to the science-based climate targets, we have an ambition to reduce emissions from our value chain by 50% from the 2018 baseline by 2030. Approximately 60% of Paulig's value chain climate impacts are tied to the production of the raw materials such as coffee, wheat and corn sourced from nearly 600 direct suppliers in over 70 countries.

We recognise that scaling up interventions requires collaboration, so we are actively engaging with key partners and farmers to collaboratively plan and execute projects aimed at achieving the targeted emissions reductions.

Despite an 11% increase in raw material sourcing volumes from our 2018 baseline due to overall business growth, our value chain greenhouse gas (GHG) emissions have not experienced dramatic changes. In 2023, compared to the baseline, our Scope 3 emissions decreased by 1%, but increased by 5% compared to the previous year. These changes are primarily due to shifts in the product portfolio composition.

We are working hard to decouple emissions from business growth, requiring the identification of the fastest and most effective emissions reduction activities in key value chains with a goal of rapid scale-up.

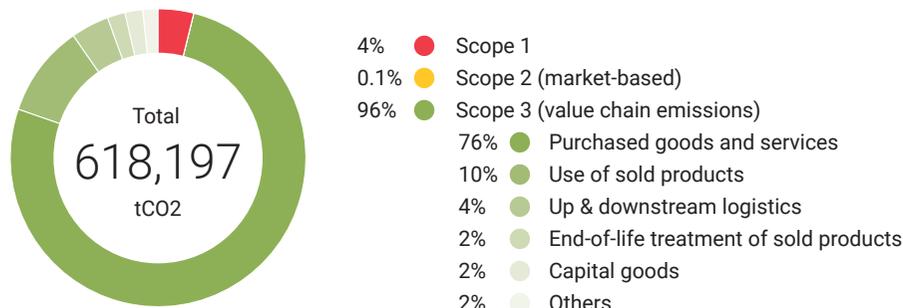
Within our coffee value chain, we have three climate projects in collaboration with partners in key sourcing origins – Brazil, Colombia, and Nicaragua. These projects focus on improving on-farm nutrient management, trialling regenerative agricultural practices, and planting cover crops in coffee farms. The activities aim at reducing the need for external inputs such as synthetic fertilisers, and contribute to improving soil health and water retention, for instance. We anticipate achieving up to 30% emissions reductions at the farm level through these initiatives. Naturally, the implementation takes time and the results will become visible in the coming years.

In Sweden, we carry on the climate partnership with our wheat supplier, Lantmännen. This cooperation ensures that all wheat used in the production of our Santa Maria tortillas at our Landskrona factory adhere to Lantmännen's Climate & Nature programme, resulting in a potential 30% reduction in climate impact compared to the 2015 baseline for average Swedish fall wheat.

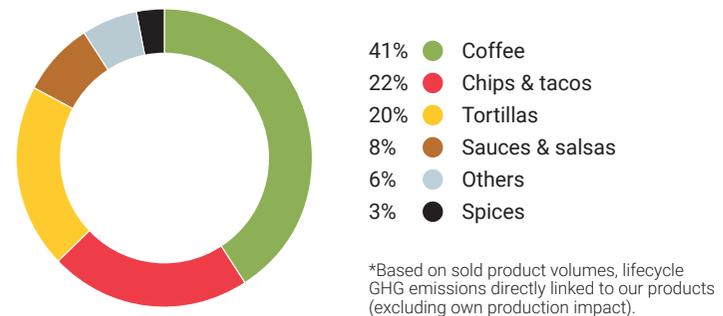
Additionally, in 2023, we initiated a new partnership with the Belgian wheat milling company Paniflower and German BAT Agrar. The objective is to reduce the climate impact of wheat used in tortillas by 35%. The first tortillas with a lower climate impact are expected to roll out for consumers in Central European markets in 2025.



GHG emissions from Paulig's operations and value chain 2023



Share of GHG emissions by product group 2023\*



CASE

## Climate Fund to accelerate emission reductions

*In 2023, we established a unique Climate Fund valued at EUR 2.7 million to accelerate our climate and nature actions. Through this fund, we aim to amplify the impact and agility of our climate initiatives, bolster our innovation capabilities, and hasten our progress toward our targets. It empowers us to prioritise actions with the most significant climate impact across the value chain.*

*To determine the annual budget for CO2 emission reductions, we applied an internal carbon price of EUR 50 per ton of CO2 and evaluated the required budget for our targeted emission reductions. This assessed cost is then integrated into our financial plan and annual budget.*

### Focus on wheat and coffee value chains

*The projects financed from the fund are reviewed annually, focusing on criteria such as the project's potential for reduced climate impact, innovativeness,*

*cost-effectiveness, and scalability.*

*In the first phase, the fund is primarily directed towards projects within wheat, coffee and corn value chains and logistics. Tortillas and coffee contribute most significantly to our value chain's climate impact. The emphasis is on mitigating emissions in raw materials farming and advancing regenerative farming methods.*

*Collaboration with our suppliers and partners is integral to the planning and execution of most projects. The impact of these initiatives is measured using relevant accounting standards, and progress is regularly monitored against set targets and budgets.*

*Our objective is to institutionalize best practices as part of our operations and integrate them into our value chain by scaling up new innovations, methods, and technologies discovered through these projects.*



**Scaling up interventions requires collaboration, so we are actively engaging with key partners and farmers to collaboratively plan and execute projects aimed at achieving the targeted emissions reductions.**

### Regenerative farming in Nicaraguan coffee farms

One of our coffee climate projects, initiated in 2022, focuses on implementing regenerative farming practices in five coffee farms in Nicaragua. Our supply partner, Mercon, engages with local farming cooperatives and identifies leading farmers in the community to spearhead the adoption of regenerative farming practices.

Running from 2022 to 2024, the project aims to test agricultural practices that can ultimately reduce the reliance on external inputs, particularly synthetic fertilisers, which contribute significantly, during both their production phase and when applied to fields, to the greenhouse gas emissions of farm activities and impose additional costs on farmers. These tested practices encompass intercropping, involving the cultivation of other crops such as beans, maize or banana between rows of coffee plants, alongside the utilisation of organic fertilisers and biogas production from farming by-products. Throughout the project, farmers receive support to ensure a successful transition from traditional to regenerative farming. Equally important, these farmers serve as ambassadors, demonstrating the benefits of regenerative practices and inspiring the local farming community to embrace and adopt the tested methods.

### Expanding the Mundo coffee range

Our Fair Trade and Organic certified Mundo coffees stand as flagship products embodying sustainability. In 2022, the product family took a significant leap by achieving complete carbon neutrality, attaining the CarbonNeutral® Product certification from Climate

Impact Partners. The entire journey of the coffee bean, from tree to cup, was considered in emission calculations and in the design of improvement projects.

Mundo coffee, produced organically with a reliance on organic inputs, inherently boasts a lower climate impact compared to conventionally grown coffee. To further diminish the environmental impact of our coffees, targeted emission reduction projects are gradually expanding in collaboration with farmers in key coffee origin areas.

The roasting of Mundo coffees takes place in our CarbonNeutral® certified Vuosaari roastery in Helsinki. The sea freight fuels are biofuels, sourced through mass-balance in collaboration with our freight partner. To address the environmental burden related to packaging, the Mundo packages are made from partially plant-based raw materials.

Despite these efforts, certain emissions remain unavoidable, such as local transportation from coffee farms to the origin harbour and the final coffee preparation by end-customers. Since 2022, these unavoidable Mundo emissions are additionally offset by supporting third-party verified forest projects in coffee-sourc-



## CASE

### Lower climate impact tortilla

Ingredients constitute over 70% of the climate impact from wheat tortillas. And wheat flour is the main ingredient in the tortilla. Hence, we are happy to maintain a long-term sustainable farming partnership with the Swedish agricultural cooperative, Lantmännen, and their Climate and Nature program\*. This collaboration empowers Swedish farmers supplying wheat to Paulig's Santa Maria tortillas to adopt more sustainable cultivation methods. These methods include precision farming, utilizing fertilizers produced with the best available technology, and employing fossil-free fuel for tractors. The Climate and Nature programme also includes enhancing on-farm biodiversity, such as leaving flower strips for pollinators and other insects, and for birds to nest in.

Through this partnership, the 17,000 tonnes of wheat flour supplied to Paulig annually, covering the baking of 400 million Santa Maria

tortillas, contribute to holding up to 30% less greenhouse gas emissions per unit of volume compared to the average Swedish fall wheat in 2015.

The first wheat cultivated under the program was planted in the fall of 2021, harvested in 2022, and featured in the Santa Maria Original tortillas on store shelves in the summer of 2023.

In addition to a change of wheat flour, we have taken steps to lower the climate impact of packaging and production as well. Together these actions have resulted in a total reduction of up to 50% on the climate impact caused by Santa Maria wheat tortillas compared to 2012\*\*.

\*The program is based on the mass balance principle.

\*\*According to a 2023 life-cycle analysis conducted by RISE (Research Institutes of Sweden), a 1 kg pack of Santa Maria Original Wheat Tortillas (Medium, 8 pcs), from farming to market, produces 0.54 kg of CO2 emissions. This represents a reduction of up to 50% compared to a study performed in 2012.





ing countries. These projects focus on nature-based solutions such as forest protection and reforestation in crucial origin countries. The range is slated to expand further to include new origin countries in the course of 2024.

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

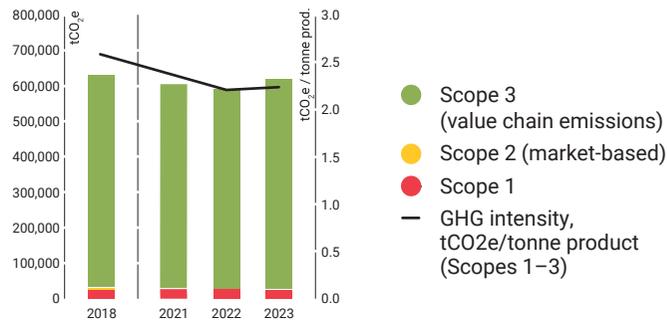
### Systematic work to cut logistics emissions

As part of our commitment to reducing value chain emissions, we aim to achieve a 25% reduction in logistics emissions by 2025. To achieve that, we focus on network optimisation and collaborate closely with suppliers, service providers and customers. Working together with key logistics partners, we are actively planning emission reductions in various routes across Nordic and Baltic countries.

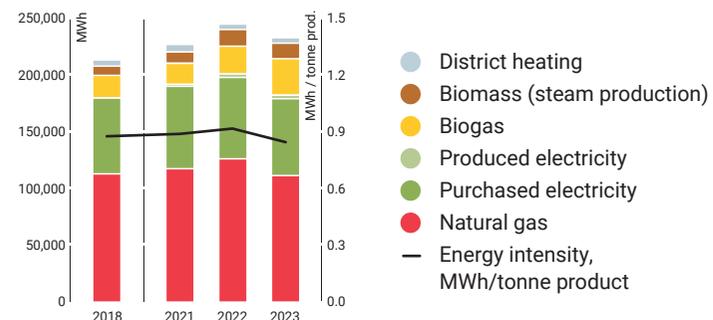
In Sweden, we continued to use gas and HVO, a bio-based fuel made from vegetable oil, in all internal transportation flows. In 2023, we laid the foundation for introducing electric trucks on selected internal routes in Sweden, starting in 2024. This aligns with our commitment to the Transport Initiative 2025, with the target of using only fossil-free transport in Sweden by 2025.

While we have successfully reduced emissions intensity in our

GHG emissions and intensity



Total energy consumption by source and intensity





Central European logistics through systematic efforts and collaboration, our total logistics emissions have increased by 2% due to business growth. To address this, we are developing a roadmap to decouple logistics emissions growth from business growth in the coming years, fostering cooperation with logistics partners. A new digital platform for detailed greenhouse gas emission tracking in all inbound and outbound processes will enhance our efficiency in developing effective reduction measures.

**In 2023 we put efforts on developing detailed decarbonisation plans for our Belgian and Spanish production sites.**

**Towards reducing our own emissions by 80%**

In 2023, we were able to reduce our own emissions across our sites despite growing production volumes. As a result, the absolute emissions were 22% lower compared to the baseline year 2018.

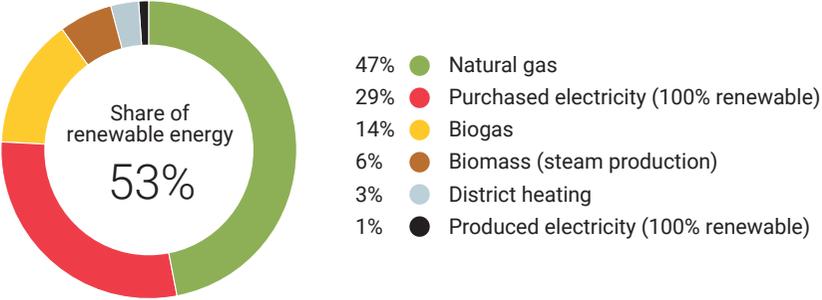
High unpredicted volume growth in Belgium sites hindered the anticipated reductions in 2023. However, efforts are underway to enhance production volume predictability and closely monitor emission changes across our sites. This will enable us to plan future GHG emission reduction activities more accurately.

Most of our sites continued to take several smaller energy efficiency efforts, and we also carried on several heat energy recovery and machine replacement projects and piloted new equipment such as solar ovens in Spain. A major stride was made through the partial switch to biogas at our Belgian, Spanish and

Estonian sites through Renewable Gas Guarantees of Origin. Availability of local high-quality biogas remains a challenge in many of our manufacturing locations, especially in Belgium and Spain. Also, uncertainties in the registries for renewable gas certificates, which facilitate cross-border transactions and determine accounting methodologies, are impeding longer-term investments and transition plans that partially depend on green gas.

Therefore, in 2023 we put efforts on developing detailed decarbonisation plans for our Belgian and Spanish production sites, focusing on energy efficiency improvements and feasibility studies for the latest available technologies, including options to electrify some production processes. Through engaging with local gas suppliers in Estonia, Belgium and Spain, we aim to source green gas via certificates, and we are exploring possibilities for

Energy consumption by source 2023



# Incorporating circular thinking into our operations

investment in green gas production, either independently or through partnerships.

Seven out of 11 Paulig factories across five countries are already carbon neutral certified. Our initial goal was to have all Paulig factories carbon neutral certified by 2023, but we extended the deadline to 2025. This adjustment allows us to prioritise structural improvements at remaining sites and focus on compensating for unavoidable residual emissions through the carbon neutral certification scheme. Part of the decarbonisation plans on the remaining sites have been relying on local biogas. Challenges in the availability and uncertainty of the biogas market have prompted us to develop alternative plans, although we have encountered some delays in implementation.

In 2023, our absolute energy consumption saw a 5% decrease compared to the previous year, and our energy intensity declined by 8% (-0.7 MWh/ton produced). This decrease in energy consumption is attributed to energy saving activities at our sites and, for example, having access to better quality biomass. Furthermore, the share of renewable energy now stands at 53%, up from 49% the previous year.

The change in energy consumption is also reflected in the greenhouse gas intensity for Scope 1 and 2 emissions, partially due to the substantial use of renewable sources across our sites.

To achieve a future within the limits of the planet, we must incorporate circular thinking into our operations. At Paulig, we continue to embrace circularity in various stages, from nutrient recycling to organic fertilisers 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 (volume) 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 are facing the most challenging part of the journey to cover the remaining 15%.

We also see preventing food loss as a way of embracing circu-

lar 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 typically constitutes only a small percentage of a product's environmental footprint, it plays an essential role in safeguarding the product and preserving its taste. Therefore, recyclability is just one facet of packaging design. Other important aspects include durability during handling and transportation, packaging line runnability, preservation of product freshness, prevention of food and coffee waste, and provision of essential information to consumers. Close collaboration with our suppliers is vital in achieving these objectives.

We continue to embrace circularity in various stages, from nutrient recycling to organic fertilisers in primary production to developing fully recyclable packaging made from renewable or recycled materials.



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

At present, we focus our development efforts on the packaging of our highest-volume products, namely tortillas, coffee and spices. In collaboration with our packaging suppliers, we are actively engaged in the development and testing of various packaging structures, keeping in mind the imperative to preserve product quality and minimise food waste.

We have made substantial strides in the development of packaging by successfully increasing the utilisation of renewable raw materials, including paper and plant-based materials. A signifi-

cant investment in packaging lines at our roastery in Helsinki ensures our ability to commence the transition from multi material plastic coffee packages to recyclable ones starting in early 2024.

### Recycling still needs boosting

As the term recyclability still lacks an official definition within the EU and globally, we maintain multiple solutions in reserve, depending on materials that can be efficiently recycled into new products across diverse markets in the future. To guide our own efforts, we have established internal rules for recyclability, aligning with CEFLEX (Circular Economy for Flexible Packaging initiative) guidelines.

Given the considerable variation in recycling processes and attitudes toward waste sorting across different markets, we strive to facilitate the sorting of empty packages and offer guidance to

## CASE

### Coffee side streams turning into textile dyes

*In 2023, we embarked on an exciting new collaboration wherein our ground coffee waste is used to produce natural dyes for the textile industry. Our partner, Finnish startup Natural Indigo, produces natural dyes on an industrial scale from the side streams of our coffee roastery in Helsinki.*

*In practice, the coffee waste from our roastery is directed to Natural Indigo's factory where the colour is extracted from the coffee grounds. The extracted pigment is then refined into natural dyes in an array of colours, spanning from shades of yellow, orange, and brown to even blue.*

*These dyes have already been used by different Finnish textile companies, such as design house Marimekko, in their products.*

*In addition to Natural Indigo collaboration, Paulig's coffee production side stream is already being used in diverse industries. For instance, Danish bioscience company Kaffe Bueno upcycles the side stream of Paulig's coffee roastery into coffee oil and other active ingredients, for the cosmetics, nutraceuticals and functional foods industries. These collaborations strongly align with our sustainability ambitions, driving climate actions and circularity throughout our value chain.*





consumers on proper sorting practices.

Navigating the complexities of diverse consumer expectations, customer demands and regulatory landscapes, we closely monitor regulatory developments and actively participate in discussions to contribute to better solutions. In Sweden, we have committed to the Plastic Initiative, spearheaded by the Swedish trade association DLF, with the goal of ensuring that plastic consumer packaging is recyclable by 2025.

### Halving food loss by 2030 is a joint challenge

One-third of globally produced edible food goes to waste, and this wastage occurs at all stages in the value chain. Factors contribut-

ing to food loss include weather-induced crop failures, improper storage, and poor planning in our kitchens.

To do our part, Paulig aims to reduce food loss in the value chain by 50%. While our initial plan was to launch a strategic sustainability initiative targeting food loss reduction in 2023, we did not proceed as planned. However, we are determined to resume these efforts in 2024.

The upcoming initiative involves collecting baseline data, identifying best practices and understanding the necessary support. We will commence this process by focusing on our own production and gradually extend our efforts to address food loss prevention throughout the entire value chain.

### Waste and water management at our factories

We have set the target of a 100% recycling rate for our own operations' waste by 2030, and laid guidance addressing the waste generated and its proper sorting and recycling. In 2023, we achieved an average recycling rate of 88%. The absolute amount of waste increased slightly, mainly due to growth in production volumes. Waste generation in relation to production output remained at a stable level compared to prior years.

In our own operations, we follow the avoid, reduce, reuse and recycle principles. Approximately 74% of our total waste generated

Our commitment to using recyclable packaging is guided by the principle that the quality and food safety of our products must never be compromised.

### PAULIG CONTINUES TO CALL FOR HARMONISED RECYCLABILITY DEFINITIONS

The Circular Economy Action Plan proposal from the European Commission, unveiled in November 2022, encompasses the Packaging and Packaging Waste Regulation. The primary goal is to prevent and reduce packaging waste while promoting closed-loop recycling.

Paulig welcomes this objective as we are committed to working towards circularity and have set a target that all our packaging be recyclable and made from renewable or recycled materials by the end of 2030. Importantly, we are looking

forward to harmonised legislation with clear definitions for recyclability.

However, the proposal has faced criticism for lacking scientific evidence supporting its claimed environmental benefits and for being overly optimistic about the maturity of the recycling and recycled materials market to meet the proposed targets. Paulig advocates mandating reusable packaging or recycled materials in applications that have been scientifically proven safe and for which environmental impacts have been assessed. Furthermore, we call for a realistic transition period for companies.

is food-related, mainly non-marketable and by-products deriving from our production. Most of that is recycled as animal feed, composted or used for biogas production. At our tortilla factories in Belgium, UK and Sweden, the leftover tortilla dough is being reground, resulting in less dough waste. At our coffee roastery in Helsinki, the waste is minimised with the help of automatised tools and efficient quality controls. For example, if a coffee package does not meet our quality criteria, our automated process detects it, and the coffee is repacked.

Food loss reductions are reached through careful production as well as production planning and joint forecasting with customers to minimise the amount of food and coffee that is scrapped from our warehouses. Furthermore, we enhance the recycling of packaging and other non-food waste from our facilities through the optimisation of transportation and packaging case size. Part of the food loss at our factories is caused by food safety considerations. The site-specific food waste figures are followed monthly in the Supply Chain Leadership Team.

In addition to minimising waste and advancing circularity of materials in our own operations, we also seek to find new solutions and support innovations through collaborations. We are delighted that part of the side stream from coffee production at

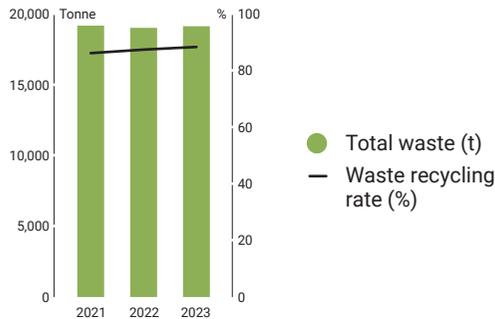
our roastery in Helsinki is upcycled in different products, for example as natural textile dyes by the Finnish startup Natural Indigo and into high-value ingredients for cosmetics, nutraceuticals and functional foods by Danish start-up Kaffe Bueno.

The water consumption in our production significantly varies between different production sites, depending on the type of end products. While spice blending processes do not require water, in tortilla and taco production it makes an important ingredient. Additionally, water is used in cleaning our production lines and facilities and, although we strive to reduce the water usage, we will ensure that hygiene and food safety requirements are never compromised.

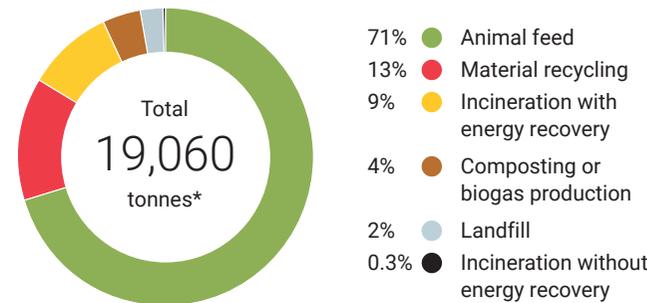
We acknowledge that our factories in Spain are situated in water-stressed areas. Although water usage in our processes has remained stable, the site team is actively developing a roadmap to address this concern. This initiative aims to achieve a substantial reduction in water usage, aligning with the regional government's restrictive measures and guidelines on water usage.



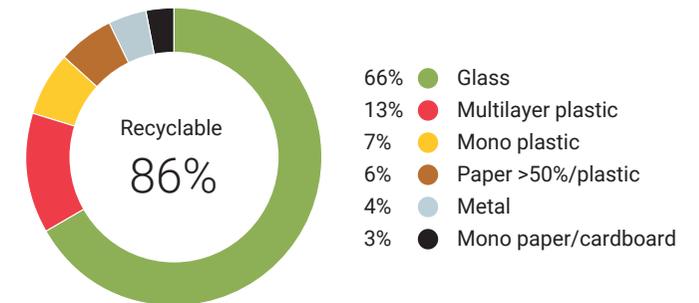
Total waste and recycling rate 2023



Total waste by disposal method 2023



Packaging material usage and recyclability 2023



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

## Key figures

### Production volume (t)

	2018	2021	2022	2023	CHANGE 2018–2023
<b>Paulig total</b>	<b>244,382</b>	<b>256,373</b>	<b>268,828</b>	<b>276,878</b>	<b>13%</b>

### Energy consumption by source (MWh)

	2018	2021	2022	2023	CHANGE 2018–2023
Natural gas	111,260	115,739	124,495	109,393	-2%
Purchased electricity	67,240	73,124	72,402	67,974	1%
Produced electricity	575	1,216	2,830	2,844	395%
Bio gas	19,355	18,985	24,554	32,979	70%
Biomass (steam production)	8,150	11,154	14,330	12,947	59%
District heating	5,052	5,700	5,336	5,741	14%
<b>Group total</b>	<b>211,632</b>	<b>225,918</b>	<b>243,947</b>	<b>231,878</b>	<b>0</b>
<i>Energy intensity MWh/tonne product</i>	<i>0.87</i>	<i>0.88</i>	<i>0.91</i>	<i>0.84</i>	<i>-3%</i>
Share of renewable energy	25%	49%	49%	53%	111%

### GHG emissions by scope (tCO<sub>2</sub>e)

	2018	2021	2022	2023	CHANGE 2018–2023
Scope 1	22,141	24,144	23,769	22,783	3%
Scope 2 (market-based)	7,053	40	36	36	-99%
<i>GHG intensity, tCO<sub>2</sub>e/tonne product (Scope 1 and 2)</i>	<i>0.12</i>	<i>0.094</i>	<i>0.089</i>	<i>0.082</i>	<i>-31%</i>
<b>Total, own operations (Scopes 1–2)</b>	<b>29,194</b>	<b>24,184</b>	<b>23,805</b>	<b>22,819</b>	<b>-22%</b>
Scope 3 (value chain emissions)*	600,768	581,184	566,860	595,378	-1%
<i>GHG intensity, tCO<sub>2</sub>e/tonne product (Scope 3)</i>	<i>2.46</i>	<i>2.27</i>	<i>2.11</i>	<i>2.15</i>	<i>-13%</i>
<b>Paulig total (Scopes 1–3)</b>	<b>629,963</b>	<b>605,368</b>	<b>590,665</b>	<b>618,197</b>	<b>-2%</b>
<i>GHG intensity, tCO<sub>2</sub>e/tonne product (Scopes 1–3)</i>	<i>2.58</i>	<i>2.36</i>	<i>2.20</i>	<i>2.23</i>	<i>-13%</i>

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

Location-based scope 2: 7,630 tCO<sub>2</sub>e

Biogenic scope 1: 6,645 tCO<sub>2</sub>e

### GHG emissions share, scope 3 (tCO<sub>2</sub>e)

	2018	2021	2022	2023
1. Purchased goods and services	473,649	454,941	448,215	472,213
2. Capital goods	7,082	17,238	14,171	10,765
3. Fuel and energy related activities	5,321	4,470	6,060	5,998
4. Upstream transportation & distribution	14,843	14,080	13,789	14,298
5. Waste generated in operations	193	518	510	637
6. Business travel	3,089	244	1,918	1,807
7. Employee commuting	2,263	2,149	2,426	1,965
8. Downstream transportation & distribution	8,654	9,423	9,769	9,734
9. Use of sold products	73,060	66,297	57,718	63,965
10. End-of-life treatment of sold products	12,614	11,824	12,285	13,996
<b>Total Scope 3</b>	<b>600,768</b>	<b>581,184</b>	<b>566,860</b>	<b>595,378</b>

GHG emission figures for 2018, 2021, 2022 restated.

## Total waste by disposal method (t) 2023

	2021	2022	2023
Sold or donated for human use	203	182	465
Animal feed	12,260	12,652	13,446
Incineration with energy recovery	2,050	1,982	1,800
Material recycling	2,991	2,767	2,535
Composting or biogas production	960	855	766
Landfill*	577	483	461
Incineration without energy recovery*	252	62	52
Unspecified	4	–	–
<b>Total waste (t)</b>	<b>19,094</b>	<b>18,801</b>	<b>19,060</b>
Waste recycling rate (%)	85%	87%	88%
<i>Total waste (t)/tonne product</i>	<i>0.07</i>	<i>0.07</i>	<i>0.07</i>
<b>Hazardous waste (t)</b>			<b>132</b>
<b>Non-hazardous waste (t)</b>			<b>18,928</b>
<b>Share of total waste (%)</b>			<b>0.7%</b>

\*Landfill and incineration without energy recovery figures for 2022 restated.

## Packaging material usage and recyclability 2023

MATERIAL	PACKAGING TOTAL WEIGHT (TN)	RECYCLABLE %	MATERIAL TYPE % FROM TOTAL
Glass	19,321	100%	66%
Multilayer plastic	3,871	1%	13%
Mono paper/cardbord	845	100%	3%
Paper >50% /plastic	1,682	99%	6%
Mono plastic	2,179	95%	7%
Metal	1,266	100%	4%
<b>Total</b>	<b>29,164</b>	<b>86%</b>	<b>100%</b>

## Water consumption (m3)

	2021	2022	2023
<b>Group total*</b>	<b>172,012</b>	<b>169,237</b>	<b>181,471</b>
<i>Water consumption (m3)/tonne product</i>	<i>0.67</i>	<i>0.63</i>	<i>0.66</i>
<b>Water consumption in water-stressed areas:</b>			
Berga, Spain	not part of Paulig	50,201	55,905
Puig-Reig, Spain	not part of Paulig	942	1,093

\*Figures for 2021, 2022 restated.

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## Fair and inclusive way of working

We aspire to be a fair and inclusive employer and partner throughout our entire value chain. By 2030, our objective is to source all raw materials from high-risk areas from sustainable, externally verified sources. At the same time, we are committed to developing our values-driven company culture to ensure that every Paulig employee sees our organisation as fair and inclusive. We want to foster an engaging work environment, underpinned by a culture that strongly promotes 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 strive to be recognised as a fair and inclusive employer and partner for all. Our ambition is to ensure that by 2030 all our raw materials from high-risk areas originate from sustainable sources, verified by external parties.

This requires establishing 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.

In order to achieve our ambition, we have launched a set of accepted sustainability standards and verifications. Over the subsequent years, we have focused on training both internal and ex-

ternal stakeholders, utilising it as a vital instrument in working with our suppliers to establish sustainable supply chains.

In 2023, we developed Responsible Sourcing Guidelines to guide our work and to better align with our sustainability ambitions, Supplier Code of Conduct requirements, and evolving customer and legal requirements. The training of internal stakeholders started in late 2023 and will continue in 2024.

Approximately 35% of our raw materials by volume originate from risk countries, excluding Paulig Spain. Of that volume, green coffee, which has been externally verified since 2018, constitutes around 45%. Spices and herbs, which form another important raw material category for achieving our ambition, are mainly sourced from risk areas as defined by amfori BSCI.



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Therefore, our strategic sustainability initiative focuses on developing roadmaps for the external sustainability verifications of spices and herbs value chains.

By the end of 2023, sustainably sourced raw materials from risk countries accounted for 55% of total risk country sourcing by volume. In 2023, we changed our reporting to focus on volumes instead of monetary spend for improved visibility.

In recent years, we have developed our reporting tools and put effort into improving data quality, introducing reports to track progress towards our sustainability ambitions. A specific sustainability dashboard has been created to enable the fact-based management of our work.

Along with our efforts in the value chain, we remain committed to cultivating an engaging work environment and a culture that fosters inclusivity, safety, and well-being for all. This is what we

pursue as a company, customer, partner, and as a corporate citizen. Safety always comes first at Paulig, and this is a fact we cannot stress enough. For us, being a production company means focusing on safety within our premises, both in the factory and the office. Our goal is zero accidents!

**Safety always comes first at Paulig, and this is a fact we cannot stress enough.**

## Our people

At the end of 2023, we employed 2,352\* professionals (compared to 2,271 in 2022) in 13 European countries. Our workforce is engaged in various roles, including direct production, warehouse operations, and office responsibilities.

The most significant operational change in 2023 was the integration of Paulig Spain. In January, all 290 employees were seamlessly integrated into our operational model, organisation, and business. The integration process has been carefully monitored throughout the year.

\*Total workforce of which 2,224 active employees at the year end.

### Building winning and respectful teams

Our dedicated employees are a tremendous asset, and building winning teams is a key enabler in our strategy. We systematically reinforce our values and leadership principles, continuously develop our leadership and way of working as well as listen carefully to our employees.

In the autumn of 2023, we introduced the updated Paulig Leadership Principles, aligning them more closely with and supporting the implementation of our new growth strategy. These principles

are designed for everyone at Paulig, guiding our mindset towards growth and shaping collaboration in our daily activities. We integrate these principles into our people processes, such as WeGrow performance management, and various people development initiatives.

A new learning platform was also launched in 2023 to support continuous learning among Pauligians by providing easy access to our learning offering. Via the platform, new employees can access compliance trainings and other resources right from the beginning.

Mandatory trainings emphasise safety and ethical, respectful behaviour in all our operations. Food safety was one key focus in 2023, ensuring our operations uphold the highest standards. The platform is also utilised for leadership and sales skills development. Throughout 2023, a total of 7,276 e-learnings were completed on the new platform.

We promote equity through development and career planning, ensuring that all Pauligians are treated equally, regardless of age, gender, reduced work capacity, or other personal characteristics. These commitments are annually monitored, discussed in work councils, and supported by an inclusive recruitment policy.



We also provide support for Pauligians to achieve a balance between work and family responsibilities.

In 2023, we strengthened our commitment to a diverse, equal, and inclusive workplace by launching a group-wide DEI policy, encompassing all our locations in 13 countries. This policy establishes clear expectations regarding behaviour, ensuring that all Paulig employees contribute to a culture of acceptance and mutual respect.

An inclusive company culture, where everyone feels accepted and valued, is imperative for sustainable and ethical growth. To achieve this, our DEI policy mandates anti-harassment training and provides guidelines for inclusive language. Consequently, the policy propels us to continually develop our values-driven company culture. Moreover, by reflecting the world we operate in, a diverse workforce enables us to better understand our markets.

### Listening and connecting with Pauligians

We aim to listen closely to the expectations, experiences, and perceptions of Pauligians. Our employee engagement survey, Our-

Voice, assesses various aspects of Pauligians' engagement, including strategic, safety, sustainability, and leadership-related themes. Development actions are implemented on the basis of the identified topics from these surveys.

In 2023, we achieved an 85% response rate to the OurVoice survey. The overall result indicates that engagement at Paulig remains at a good level, with a score of 74 on a 100-point scale. However, there was a slight decline in engagement compared to the previous survey in 2021.

According to the internal brand reputation survey, eNPS, Pauligians are highly likely to recommend working at Paulig to a friend or colleague. Each team actively addresses their respective survey results to identify key areas for improvement and create action plans for development.

### Aligning with our strategy and growing talent

Our performance management process, WeGrow, is intricately aligned with our strategy and deeply embedded in our day-to-day leadership practices. A hallmark of this process is the ongoing

An inclusive company culture, where everyone feels accepted and valued, is imperative for sustainable and ethical growth.

## CASE

### Towards a more equal and inclusive working life

Human rights and equality are fundamental values for Paulig. Recognising that our most valuable asset is the people who work for us, we are committed to cultivating a diverse and inclusive work environment.

In 2023, we established a partnership with Workplace Pride, a Dutch non-profit foundation focused on promoting LGBTIQ+ inclusion in the workplace. This collaboration demonstrates our commitment to advocating for the rights of LGBTIQ+ employees in all the countries where Paulig operates.

Additionally, Paulig has been a proud partner of Helsinki Pride for three consecutive years. Helsinki Pride, a non-governmental organisation, promotes human rights and equality regardless of sexual

orientation or gender identity.

These partnerships emphasise our commitment to leading the way towards a more equal and inclusive working life and society, not just during Pride Week but every day. It is crucial that efforts are undertaken not only by individuals but also by organisations. For instance, the language and communication used within a company significantly influence how employees perceive the overall atmosphere.

These partnerships facilitate discussions about human rights and create a space for individuals to be visible, to ensure that all our employees feel safe to be their true self.





dialogue between employees and supervisors, enabling timely feedback and coaching.

The purpose is to provide a framework and tools for impactful discussions on goals, development, and performance within teams. It also empowers Pauligians to take control of their performance and professional development. Aligned with our strategy, each Pauligian has a clear goal that supports our sustainable growth ambition.

In 2023, we integrated the WeGrow process with rewarding, considering the overall performance evaluation as one element of the short-term incentive plan. Performance evaluations are discussed in alignment sessions with peer managers to foster a common understanding.

The ongoing Leading the Paulig Way programme introduced a new Manager Onboarding programme to facilitate a smooth start and set expectations for managerial positions. As part of our business transformation planning, we also focused on enhancing the change management concept.

We strongly believe in Pauligians as our greatest asset, investing in identifying growth possibilities through the talent process, which was extended to the entire white-collar Pauligians in 2023. In this process, we identify essential skills and competencies for our business, address gaps, and outline plans for developing our people to meet future skill requirements. For instance, throughout 2023, we continued the WeLearn Commercial Excellence programme, covering modules on negotiation and sales skills.

**CASE**

*Broader perspectives through internal rotation*

*At Paulig, the development of our people includes internal job rotation opportunities. Many Pauligians gain a broader perspective on the business and enhance their competencies through rotations, benefiting both personal development and fulfilling Paulig's needs.*

*In 2023, our employees embraced international job rotation opportunities, and one of our short-term assignees was **Kristina Tinkovan**.*

*"As an EHS Manager in Saue, Estonia, I spent four months in Spain during 2023, contributing to the establishment of a safety culture among our Spanish colleagues.*

*This professional endeavour presented a significant and interesting challenge. I had the opportunity to participate in building a safety culture in a large plant with several hundred employees, multiple product lines, and various shifts. Since Spain is in the initial stages of its safety journey, this was a unique opportunity to introduce and implement new ideas together with the team.*

*Ultimately, it proved to be a valuable experience for my career at Paulig. Alongside gaining a wealth of new profes-*

*sional insights and knowledge, I was absolutely captivated by the kindness, support, and care demonstrated by the people. Throughout my time, I never felt alone in a foreign country without my family and friends, knowing I had 24/7 support.*

*I'm very grateful for this experience and I wish Spain a quick first year without any Lost Time Accidents!"*



*Kristina pictured with her colleagues in Spain.*

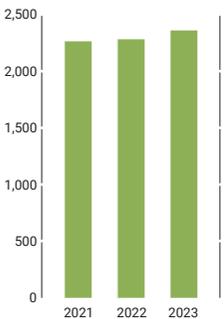


Our commitment to excellence extends to the Production Work Excellence programme, encompassing training and new work methodologies in our production teams across all Paulig sites. A particular emphasis was placed on developing leadership skills for our team leaders at production sites.

As part of the Production Work Excellence initiative, we advanced the Level UP training programme aimed at elevating our onboarding and training processes for production workers. This involved improving training roles and responsibilities, creating clear training documents, and enhancing the training skills of our instructors.

The 2023 focus for the Level UP initiative was on sites in the UK, Finland, and Sweden. Since its inception, Level UP has received high praise at our production sites, yielding many positive results. We take pride in the train-the-trainer concept, clear roles, and streamlined and automated training administration.

Paulig personnel 2021–2023

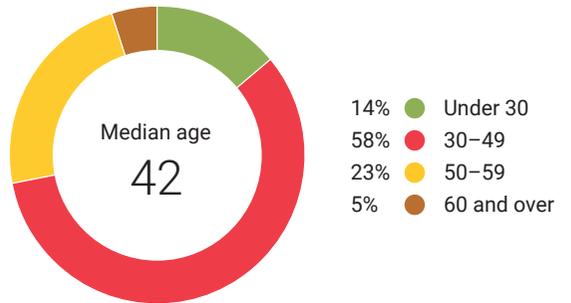


Gender by position 2023



\*Managers leading a team  
 \*\*Production, warehouse and restaurant workers

Age groups 2023



# Healthy and safe workplace

In 2023, we continued to advance our safety culture across the company. In most of our factories, safety was at a good level. However, in some factories the safety performance was not at the expected level, and for those, we have developed targeted programmes to further develop and improve the safety culture. Road to Zero Accidents programme is grounded in the principle that everyone is entitled to a secure working environment, ensuring that all employees arrive to work and leave in good health and safety.

Through this programme, we established several key workstreams, encompassing a leadership skills development programme, an Office Safety initiative, the integration of safety components into our onboarding and training processes, a Safety

walk/talk programme, and a Safety Ambassador programme.

Collectively, these workstreams constitute our overarching Road to Zero Accidents programme that is scheduled to continue throughout 2024 and will be adapted for implementation sites.

### Safety governance structures

To oversee our efforts in this topic, we have established the Paulig Health & Safety Steering Council. This council, chaired by the CEO, includes members from the Paulig Leadership Team and EHS (Environment, Health, and Safety). The strategic governance and primary focus areas are closely tied to the defined safety culture and leadership in EHS.

Furthermore, we are in the process of defining a governance

**We are committed to achieving our aim of zero accidents and the work continues together with our employees.**

### Road to Zero Accidents program



model for EHS. This model outlines the accountability for different levels within our organisation. Each level carries specific accountability, encompassing their understanding of EHS, knowledge of the related policies and standards, alignment with the EHS strategy, and performance monitoring.

In 2023, an intensive workshop was conducted with the Paulig Leadership Team to establish specific actions regarding safety culture, leadership, and communication. Progress in these areas is reported to the Board on a quarterly basis. Furthermore, the Board visited the new Roeselare production site in Belgium, where the first topic on the agenda was the implementation status of the Road to Zero Accidents programme.

### Identifying and minimising risks

To enhance the prompt reporting and management of identified observations and incidents, we have implemented a centralised reporting system throughout Paulig. This tool has significantly contributed to a 20% increase in reported risks compared to previous years, totalling 9,507 reported observations in 2023.

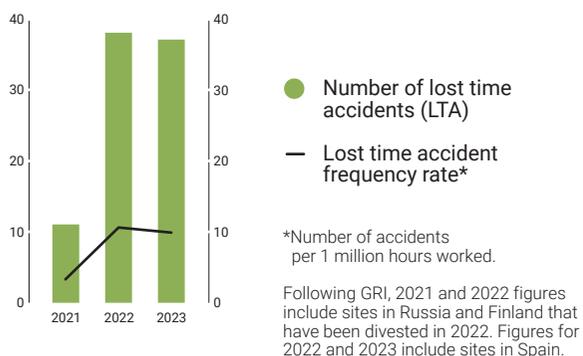
In addition to expanding the reporting of accidents through Safety Alerts to site and Senior Management at Paulig, we have also extended the utilisation of a root cause accident tool for in-depth investigations and the formulation of appropriate preventive measures.

Beyond risk reporting, we introduced a safety walk programme to actively engage with Pauligians and incorporated the Paulig standard for Personal Protective Equipment (PPE) as part of our standardisations.

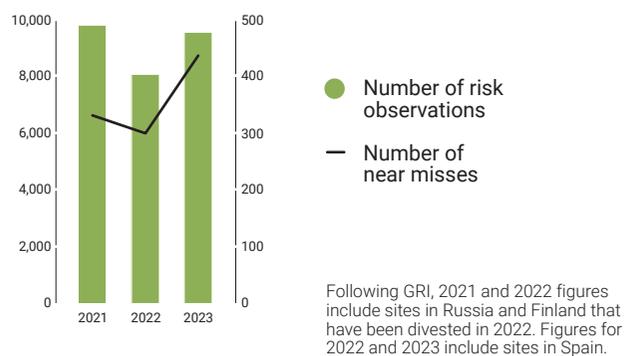
Throughout 2023, we actively participated in global safety initiatives, such as the World Day for Safety in April and the European Week for Health & Safety. These engagements involved over 120 workshops at our various sites, covering diverse topics like digital firefighting, reach truck driving, intoxication and driving, internal traffic risks, safe commuting, ergonomics and psychological safety.

**We actively participated in global safety initiatives, such as the World Day for Safety in April and the European Week for Health & Safety.**

### Lost time accidents and frequency



### Risk observations and near misses





# Towards 100% verified sustainable sources

Our ambition is for all our raw materials from high-risk areas to be sourced from externally verified sustainable sources by 2030. Achieving this ambition requires collaborative efforts with suppliers and partners who share our sustainability aspirations as well as our emphasis on establishing external verifications.

We value long-term relationships with our suppliers. We acknowledge that advancing responsible sourcing demands the cultivation of new skills and ways of working, both within and beyond Paulig.

### Sustainable sourcing of spices

The diverse nature of Paulig's spice category and the complexity of the spice value chains, often involving numerous smallholder farmers, present a challenging landscape for sustainability verification. However, this underscores the importance of adopting a continuous development approach in partnership with our suppliers.

As a part of our strategic sustainability initiative focusing on the spices and herbs value chain's external verifications, we have established spice-specific roadmaps to monitor progress towards our goals.

Our efforts are prioritised on the basis of sourced volume and

potential risks in the supply chains, including the presence of seasonal and low-skilled workforce, health and safety considerations, and child labour, with supplier capabilities playing a pivotal role.

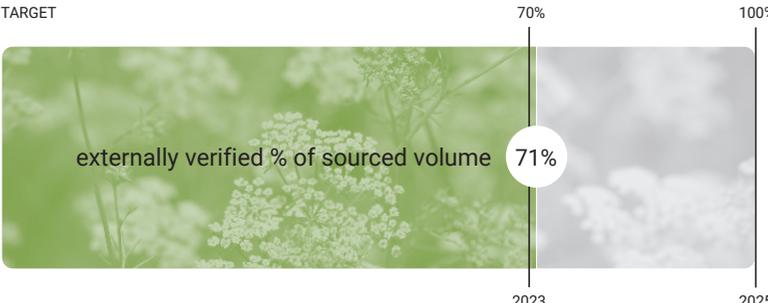
Currently, we have set sustainable sourcing targets for six spices (black pepper, onion, oregano, Indian chillies, cumin, and turmeric), accounting for approximately 45% of the entire spices and herbs category. In 2023, our target was to have 70% of the sourced volumes from externally verified sustainable sources, and we achieved 71% by the year's end.

Throughout the project, we have encountered several challenges, such as quality issues, smaller-than-expected crops due to climate and water problems, and a lack of awareness among farmers, that make it difficult to achieve the targeted, externally verified quantities. Our goal is to achieve 100% sustainable sourcing for these six spices by 2025.

In 2023, we expanded the road map for external verification to include more spices and herbs. With these additional items, we cover over 50% of the spices and herbs category.

Starting from 2022, the reported figures are assured by a third party. In 2023, the assurance specifically covers the volume share of sustainable sourcing for the six spices in scope.

### Sustainable sourcing of spices



### Spices in scope

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

CONTENTS	Paulig in brief	CEO's review	Our brands and categories	Sustainability				Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & nature	Fair & inclusive		



### Careful selection of partners to pursue sustainability

When aiming to be a frontrunner in sustainability, the careful selection of partners and the establishment of strong collaborations are crucial elements. Building an effective toolbox to manage risks and leverage opportunities is equally important, especially as supply chains contribute to a larger transition towards sustainable food systems and are at risk of escalating due diligence expectations. This is particularly relevant for agricultural chains with a substantial number of smallholder farmers.

In 2023, we developed Responsible Sourcing Guidelines to guide our work and to better align with our sustainability ambitions, Supplier Code of Conduct requirements, and evolving customer and legal requirements.

Our process for evaluating sustainability risks within our supply chains involves country risk assessments, supplier self-assessments, and both internal and third-party audits. Throughout 2023, we continued to explore how emerging due diligence expect-

tations related to deforestation and human rights risk mapping could be facilitated through technical tools and collaborative efforts with our partners and industry peers.

As part of value chain risk management, we have defined red-flag and no-go countries and regions, classified as the most severe risk countries by amfori BSCI, or categorised as conflict areas, or regions posing risks for human rights abuses.

Before initiating collaboration with a new supplier, we conduct a supplier risk assessment. Existing approved suppliers are also re-evaluated on the basis of criteria such as significant changes in business operations or stakeholder feedback. We have harmonised our supplier approval processes across all direct sourcing categories.

We conduct our own sustainability audits in order to build mutual 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 mitigate risks as well as identify areas for development.

### SOURCING IN FIGURES

With over 560 direct and 5,700 indirect suppliers in more than 70 countries, we can exert a global impact.

Our direct sourcing encompasses raw and packaging materials, green coffee, and contract-manufactured products, with a total spending of approximately EUR 600 million in 2023, of which about EUR 480 million was allocated to raw and packaging materials. Belgium, Brazil, Sweden, Spain, and Colombia stand out as our most significant sourcing countries, each one playing a crucial role in various aspects of our supply chain.

In addition to direct sourcing, our indirect sourcing extends to diverse service providers in categories such as logistics, marketing, IT, facility management, administration, energy and utilities, and travel. Indirect sourcing is closely linked to and an enabler in reducing the emissions in our own operations, including in logistics. [Read more on page 52 >>](#)

Supplier-specific risks and opportunities are assessed through questionnaires renewed every three years. As all our coffee comes from externally verified sources, our own audits primarily focus on other raw material categories, covering over 90% of direct suppliers in risk countries.

In 2023, we conducted seven audits for suppliers in origin countries, with the main findings related to health and safety, fair and equal treatment, and the integration of sustainability considerations into upstream supplier and supply chain management.

We emphasise ongoing competence development for those working with sustainability and sourcing. Our own employees conducting supplier sustainability audits must complete SA8000 auditor training, and our sourcing sustainability champions receive capacity building on responsible sourcing guidelines.

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 to validate sustainability

To reach our ambition of having all our raw materials from high-risk areas externally verified as sustainable by 2030, we must leverage best practices, tools, and collaborative projects. As an initial tool, we have defined Paulig's accepted standards and verifications for contract manufacturing products and raw materials sourced from risk areas.

These standards and verifications encompass both social and

**We conduct our own sustainability audits in order to build mutual trust and knowledge with our suppliers and seek alignment of sustainability work.**

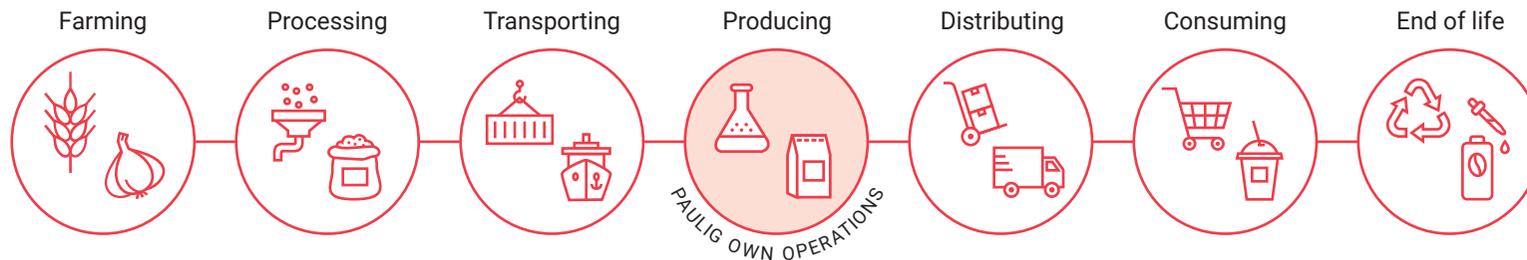
environmental aspects, and we have initiated training sessions for relevant internal and external stakeholders on these methodologies. Also, certifications play a crucial role in validating sustainable sourcing, and a significant proportion of our coffee, for instance, is certified.

In contract manufacturing, our objective is to have all factories situated in risk areas undergo external verification. Currently, audit coverage for these factories stands at 95%. In 2023, two amfori BSCI follow-up audits were conducted at manufacturing sites in Colombia and Thailand, with an additional multi-tier audit scheduled for Peru in early 2024.

During one of these audits, a zero-tolerance case related to bonded labour – specifically, the withholding of passports in exchange for reimbursement of recruitment fees – was discovered in 2022. The passports were subsequently returned, and corrective and remedial actions were successfully implemented during 2023. Following the follow-up audit, the zero-tolerance status was lifted, and the supplier achieved the highest grade as an outcome.



### Our value chain



## Supporting communities

In addition to having a great opportunity for positive impact, we also bear the responsibility to comprehend and mitigate the risks within our value chain, particularly those related to human rights and climate change.

Our community work in the coffee and spices value chains has been geared towards mitigating the impacts of climate change and securing livelihoods for farmers. Moving forward, we aim to incorporate more nature elements, such as water and biodiversity, into our projects.

Furthermore, children and young people have always been at the heart of our initiatives, and we aspire to contribute to the well-being of families and future generations.

### Partnering to make an impact

In our coffee supply chains, we have built a robust foundation for collaboration with our strategic green coffee suppliers, facilitating the initiation of climate and regenerative agriculture projects (for further details, [see page 50](#)). In 2023, Paulig supported coffee partnership programmes in 11 countries, collaborating with International Coffee Partners (ICP), the coffee&climate initiative, and global green coffee companies.

After careful consideration, we made the decision to exit the ICP in 2023. While being one of the founding partners of the initiative, we highly appreciate the collaboration and results achieved together. Over the years, we have been able to support impactful

projects regarding coffee origins and gain valuable insights. Looking ahead, our aim is to refocus sustainability efforts to cover our full portfolio and operations, including spices, Tex Mex, and snacks categories. In the coffee value chain, our focus will be on implementing climate and nature projects.

Paulig is a founding member of the coffee&climate initiative, a partnership involving leading coffee companies, public actors, and local communities, with the goal of enhancing the climate resilience of coffee landscapes and supporting sustainable rural livelihoods. To date, over 136,000 beneficiaries have been trained on climate-smart techniques.

Paulig works closely with the global green coffee companies, building their partnership programmes to promote sustainable and profitable coffee growing and coffee farmers' capabilities for taking proactive action regarding their livelihoods and the environment. The farmers receive hands-on training and support in agricultural practices (including fertiliser and pesticide use, coffee varieties, etc.) that equip them with the tools they need to elevate their yield and enhance the quality of the coffee beans. These programmes allow farmers to make lasting impacts through improved livelihoods and also enable the tracking of the gained progress.



Moving forward, we aim to incorporate more nature elements, such as water and biodiversity, into our projects.

## CASE

## Seeds for progress – Cultivating lives through education

*Seeds for Progress is a non-profit organisation dedicated to the sustainable development of coffee communities in Central America. It achieves its goals through the provision of quality education, skills development, and facilitating the generational transition of knowledge and skills. For several years, Paulig has been a supporter of Seeds for Progress, initially in Nicaragua and more recently in Guatemala.*

*Seeds for Progress envisions prosperous communities in coffee regions, where education, health, and information act as catalysts for sustainable development. In Guatemala, the organisation has been active since 2022, establishing 15 schools and three centres that provide education and care during the coffee harvest season to prevent child labour. Additionally, they have trained 150 teachers for these schools.*

*Creating awareness about children's rights is a crucial aspect of their work. Through an awareness campaign, they have addressed the topic in workshops involving parents, coffee pickers, producers, and the community at large. Building trust within local communities is paramount for the success of these projects, and in Guatemala, community leaders play a crucial role in gaining that trust.*



Social topics are also addressed in some of the projects. For example, together with Coffee Ithaka, a green coffee supplier, we continue to support the Fahem plantation and the surrounding smallholder farmers in Ethiopia. The project is not just about farming but it also takes a holistic approach acknowledging other needs too. The farmers are trained on good agricultural practices, seedlings, and farming tools. Additionally, the project finances other social needs identified by the community. For example, in 2023, the renovation of the local school facilities was completed.

India, as the world's largest spice-producing country and an important supplier of Paulig's Santa Maria spices and herbs, faces significant challenges related to poverty, particularly in rural areas. Closely collaborating with the NGO Save the Children and our supply chain partner Jayanti, Paulig has worked to protect children's rights and break the cycle of poverty affecting spice-farming communities. Over the past few years, hundreds of farmers received training, enabling them to cultivate in a more

efficient and sustainable way. Furthermore, the project has focused on enrolling children in schools (1,448 children, with a 95% attendance rate).

Making it possible for children to take part in education is not only about mobilising and motivating parents and children or teacher training. To make a long-term difference for the children, Save the Children has empowered local farmers with capacity building, enabling them to better sustain their livelihoods. The capacity building of farmers has been made possible by the support of Jayanti.

We are currently assessing how and where to continue the work in the spice value chains and make use of the lessons learned from the project.

### Backing future generations

We aspire to be an active member of society, and as a family-owned company, our focus lies in contributing to the wellbeing of future generations. Supporting children and young people holds

the potential for positive and long-term impacts on society at multiple levels.

Paulig's sponsorship guidelines steer our focus on fewer, larger, and more impactful sponsorship programmes, emphasising our commitment to supporting children and families in need, fostering healthy lifestyles, and promoting environmental awareness initiatives.

In response to the most severe global food crisis in decades, which poses a threat to the nutritional well-being of over 150 million children, Paulig initiated a fundraising campaign during Christmas 2023 for Save the Children's fight against child hunger. Paulig doubled the contributions made by Pauligians, reflecting the commitment to supporting vital causes and making a tangible difference for children in need.

In Finland, Paulig serves as the main partner of SOS Children's Village. We support the development of the Läksyapuu chat service, helping children with their homework. Since its inception in

2022, the service has proven invaluable, with over 2,500 children receiving assistance in 2023, predominantly in subjects like mathematics.

Children may also face other issues, such as school-related anxiety or bullying. The Läksyapuu service is being developed to help young people, especially those in vulnerable situations, on their education journey.

Additionally, Paulig backs the Apuu chat service, providing a channel for children to seek help if they feel unsafe or threatened. Child welfare professionals and trained on-call workers use the chat to assist children, ensuring they have access to the help they need. Approximately 120 children reach out for assistance through this service every day.

In Spain, Paulig organises the annual Mirada Jove Awards, in collaboration with the Pedagogical Resources Center (CRP) of Berguedà, the City Council of Berga and Civitas Cultura. Mirada Jove is a contest designed for all the Primary and Secondary Edu-

cation, Music and Special Education centre students at the Berguedà region. The objective is to promote creativity and interdisciplinary artistic expression while fostering teamwork and collaboration within an inclusive environment.

Paulig's sponsorship guidelines steer our focus on fewer, larger, and more impactful sponsorship programmes.

## CASE

### Supporting coffee community in Colombia

*The Sierra Nevada de Santa Marta, a mountainous region in northern Colombia, has emerged as one of the most significant producers of organic coffee in the country. This distinction is attributed to the region's ability to yield a single coffee crop throughout the year and its home to indigenous communities deeply connected to the environment. Paulig sources Fairtrade and organic green coffee from this region through a partnership with the local exporter, Expocafé.*

*In late 2022, a collaborative project aimed at rebuilding the local coffee community's school reached completion. This initiative was co-funded by Paulig, Expocafé, Asoseynekun (an association of Indigenous families producing Organic and Fairtrade coffee), and several other*

*donors. The Arhuacos, an indigenous community, played a pivotal role in the project, contributing labour, transportation, sand, gravel, and project management expertise.*

*The region's ecosystem stands out through its uniqueness, boasting a diversity of plants, animals, and microorganisms unparalleled elsewhere. Notably, it is home to some of the world's most endangered frogs. In the Sierra Nevada, nature and humanity coexist in a harmonious union. The Arhuaco people believe that they emerged from this very spot during the creation of the world. Therefore, for them, safeguarding this land is a sacred obligation.*



# Key figures

## Health & Safety

	2021	2022	2023	TARGET 2023
Number of Lost Time Accidents (LTA)	11	38	37	
Lost Time Accident Frequency rate*	3,2	10,5	9,8	<6
Number of Lost Time Days (LTD)	77	508	448	
Number of near misses	330	298	435	
Number of risk observations	9,719	8,028	9,507	9,558

\*Number of accidents per 1 million hours worked  
 Following GRI, 2021 and 2022 figures include sites in Russia and Finland that have been divested in 2022.  
 Figures for 2022 and 2023 include sites in Spain.  
 Reported figures cover all Paulig employees. Contractor LTAs are monitored but not reported.  
 No work-related fatalities occurred during FY2023.  
 The most typical injuries include: contact with objects or equipment; slips, trips, and falls.

## Externally verified sustainable sourcing

	2021	2022	2023	TARGET* 2025
Share of sourced volumes of selected spices**				
from externally verifies sustainable sources	32%	51%	71%	100%
Green coffee	100%	100%	100%	100%
Contract manufacturing sites in high-risk countries externally verified for sustainability	75%	90%	95%	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\* 2023

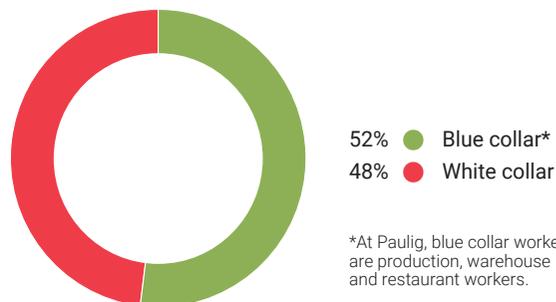
SHARE OF PAULIG TOTAL SOURCING SPEND	
Green coffee	26%
Raw materials	10%
Traded goods	5%
Packaging materials	1%
<b>High-risk area spend from total spend</b>	<b>42%</b>

\*Classified as risk areas by amfori BSCI.

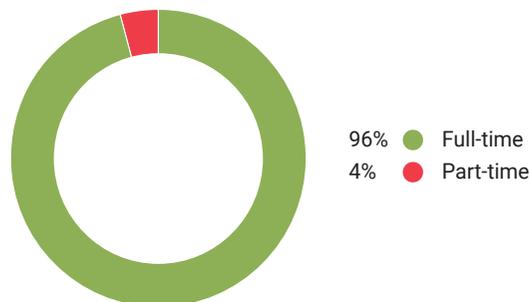
## Personnel

Figures as per 31.12.2023.

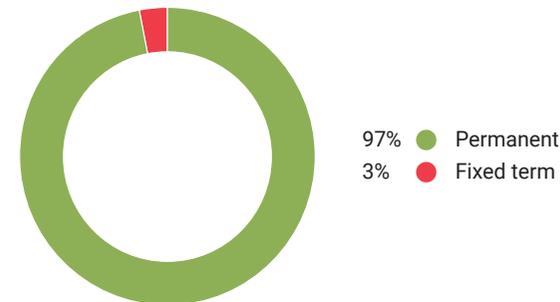
### Personnel groups

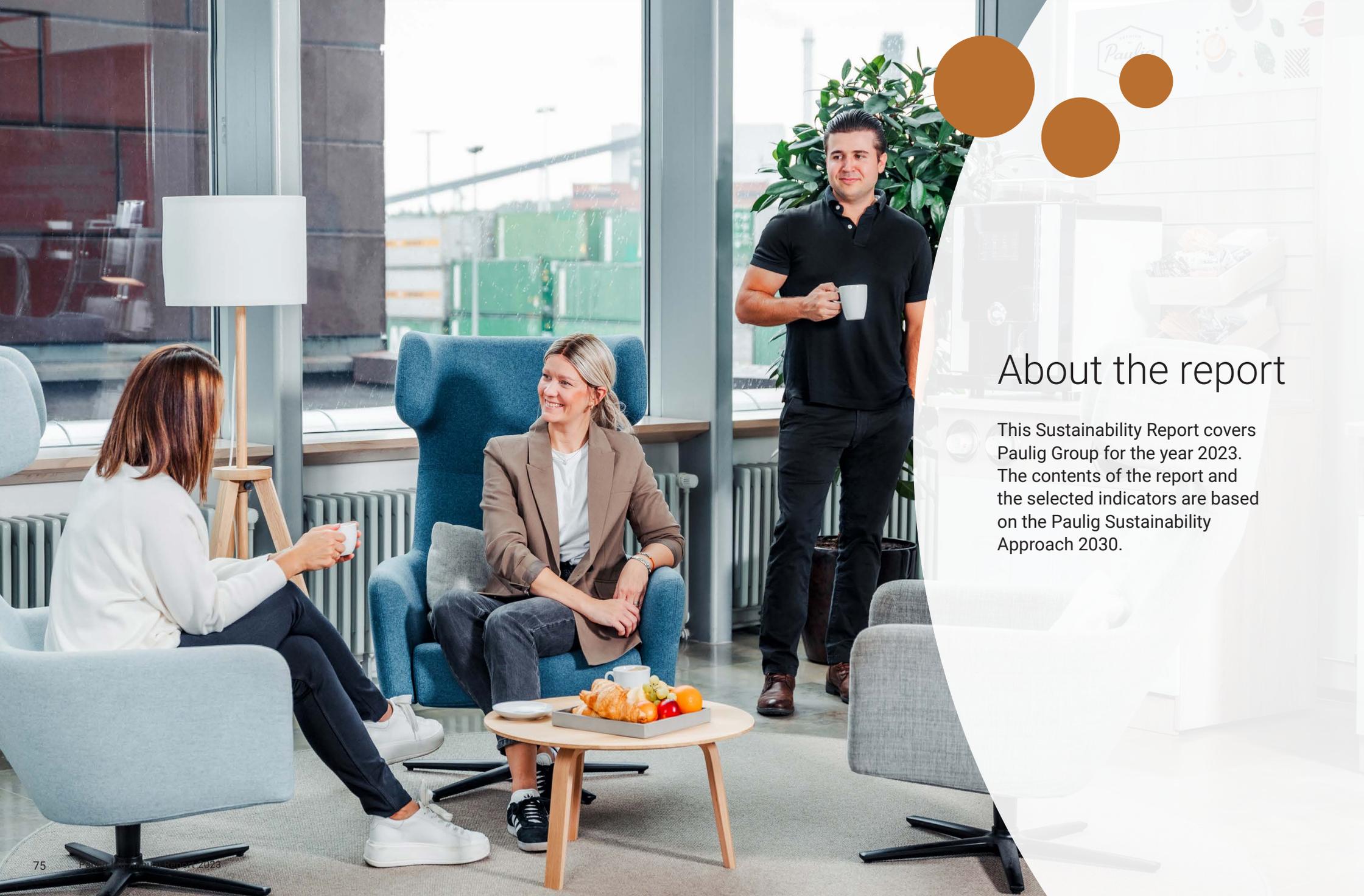


### Employment type



### Employment contract





## About the report

This Sustainability Report covers Paulig Group for the year 2023. 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 entire Paulig Group (corporate ID 0112563-0) for the year 2023. 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.

This report is compiled in reference to the Global Reporting Initiative standards (GRI, 2021). 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 2023 and on a continuous basis, we have continued to develop our environmental reporting processes and definitions to improve the quality of the data. This may possibly have led, however, to a 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 the climate impacts of our own operations, in order to set the science-based climate targets. We continue to refine the baseline as we receive more granular, better-quality data from our own value chains. In the 2022 reporting, in addition to refined emission factors, we have adjusted the baseline year to reflect the significant changes that took place in our organisational structure. 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 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 the end of the year.

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 office facilities. Emissions from small sales offices (fewer than 10 employees) are excluded from the total of our own operations

calculations as they are relatively insignificant to the total scope 1 and 2 emissions. Emissions from warehouses operated by external service providers are captured as part of scope 3 purchased goods and services.

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

For the sustainable sourcing of a spices strategic initiative, we have selected a group of six spices as a priority and have 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 as to how the agreed upon raw materials will become sustainably sourced in the agreed upon time frame. The sustainably sourced definition is based on Paulig's accepted basket of third party certifications and verification methods.

The agreed upon volumes are sourced through purchasing agreements and information integrated into the ERP system. The information regarding the certifications/verifications will be automatically transferred from purchase agreements to the purchase orders. The volumes are tracked upon arrival and we have developed a dashboard in order 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; 305–1–4), health and safety indicators (403–9), the environmental indicators (302–1, 302–3, 302–4; 303–5; 306–3, 306–4; 306–5) 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 EY. The assurance statement appears [on page 80](#).

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

Chocó-Darién Rainforest Conservation REDD+ (Colombia) – VCS and CCB verified forest conservation project. Working alongside indigenous community groups to prevent deforestation and de-

velop sustainable farming techniques.

Community Reforestation (Uganda) – VCS and CCB verified reforestation project. Combining community-based tree planting with improved education and training.

Rimba Raya REDD+ (Indonesia) – VCS and CCB verified forest conservation project. Protecting and preserving tropical peatland in the biodiverse island of Borneo.

Acre Amazonian REDD+ (Brazil) – VCS and CCB verified forest conservation project. Aiming to prevent deforestation in the Amazon rainforest, whilst providing alternative models of economic development.

### Memberships of associations

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

- Consumer Goods Forum (CGF)
- 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) (exited 2023)
- 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)

## GRI-table

2 – GENERAL DISCLOSURES		Page	Notes & comments
The organization and its reporting practices			
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## Management systems in Paulig

AREA	CERTIFICATION	DESCRIPTION	TORTILLA	SPICE & MIXING	SPICE	COFFEE	COFFEE	BUSINESS	SNACKS	SNACKS AND	TORTILLA &	TORTILLA	DISTRIBUTION
			FACTORY LANDSKRONA, SWEDEN	FACTORY MÖLNDAL, SWEDEN	FACTORY SAUE, ESTONIA	ROASTERY VUOSAARI, FINLAND	ROASTERY PORVOO, FINLAND	AREA FINLAND & BALTICS	FACTORY BERGA, SPAIN	PACK. FACTORY PUIG-REIG, SPAIN	CHIPS FACTORIES ROESELARE, BELGIUM	FACTORY MILTON KEYNES, UK	CENTER KUNGBACKA, SWEDEN
Quality/ Food safety	BRC Food	British Food safety standard							x	x	x	x	
	BRC Storage & Distribution	Food safety standard for warehouse											x
	BRC Packaging	Food safety standard for prod. of packaging material								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 Producer	German food safety standard							x	x	x		
	AIB	Prerequisite and FS							x	x	x		
	EU organic	Organic production and sales	x	x	x	x	x		x	x	x		x
	V-label	Vegan/vegetarian standard							x	x	x		
	BRC GFCP	BRC Gluten-Free Certification Progr.									x		
	Crossgrain SE	Gluten free standard in Sweden		x									
	Halal Certification	Halal certification (certain prod.)							x	x	x	x	
Kosher Certification	Kosher certification (certain prod.)							x	x	x			
E-label	E-label for weight control (cert. prod.)	x	x	x									
Customer standards		Customer food safety & quality standard							x	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						
	SMETA 4 Pillar	Social, H&S, Environment, Business Ethics							x	x	x	x	
	RSPO	Palm oil certificate							x	x	x	x	
Rainforest Alliance	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	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 (hereafter "Paulig") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, hereafter referred to as the engagement, to report on Paulig's percentage of volume of selected six (6) spices sourced from verified sustainable sources and the selected GRI indicators (the "Subject Matter") in Paulig's Annual Report 2023 for the period 1.1.2023 to 31.12.2023 (the "Report").

Selected GRI indicators:

- Greenhouse gas reporting (scope 1, scope 2, scope 3) (305-1, 305-2, 305-3, 305-4),
- Energy consumption within the organization (302-1),
- Energy intensity (302-3),
- Reduction of energy consumption (302-4)
- Water consumption (303-5)
- Waste generated (306-3)
- Waste diverted from disposal (306-4)
- Waste directed to disposal (306-5)
- Work-related injuries (403-9)

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 Global Reporting Initiative (GRI) 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 8.11.2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be 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 Management 1, Quality Management for Firms that Perform Au-

ditions or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or 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.

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.

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.

Our procedures included:

- Development of our knowledge and understanding of Paulig's material sustainability reporting topics, organization and activities,
- Interview with senior management to understand Paulig's sustainability management,

CONTENTS	Paulig in brief	CEO's review	Our brands and categories	Sustainability				Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & nature	Fair & inclusive		

- c) Interviews with personnel responsible for gathering and consolidation of the Subject Matter to understand the systems, processes and controls related to gathering and consolidating the information,
- d) Assessing sustainability data from internal and external sources and checking the data to reporting information on a sample basis to check the accuracy of the data.

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 2023 for the period 1.1.2023 to 31.12.2023 in order for it to be in accordance with the Criteria.

Helsinki, 19th March 2024

Ernst & Young Oy  
Authorized Public Accountant Firm

**Terhi Mäkinen**  
Authorized Public Accountant

**Nathalie Clément**  
Leader of Climate Change & Sustainability Services

CONTENTS	Paulig in brief	CEO's review	Our brands and categories	Sustainability				Financial information	Board of Directors' report
				Managing sustainability	Health & wellbeing	Climate & nature	Fair & inclusive		



## Financial information

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

# Corporate governance 2023

**Paulig Ltd, the parent company of Paulig Group, is a Finnish family-owned company incorporated under Finnish law. Corporate governance is based on the company's 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 passes resolutions on 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 2023, the Board convened seven 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 stays 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 resolves 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 HRS 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

responsibly 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 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 2023

In 2023, Paulig Group's revenue was EUR 1,167.6 million (1,105.5), an increase of 5.6 per cent on the previous year. The Group's operating profit was EUR 90.1 million (5.8), which represented 7.7 per cent (0.5) of revenue. Paulig Group employed 2,209 people on average during the year (2,278).

## Changes in the Group's structure during the financial year

The following changes took place in the Group's structure in 2023:

- Nissen Invest Ltd was separated from Paulig Group through a partial demerger during the financial year.
- Saffron Holding A/S and Paulig Coffee A/S (Denmark) were merged into Paulig Ltd.
- The liquidation of OOO Kulma, Russia was finalised.

Additionally, Paulig Group sold its shares in DF World of Spices GmbH (the parent company of the FUCHS Group) where its direct ownership interest was 25.01 per cent (accounted as an

associated company). In addition, Paulig Group had 1.5 per cent ownership in the holding company (DF Verwaltung GmbH & Co. KG) that owned the remaining 74.99 per cent of the shares in DF World of Spices GmbH.

The sale of the Frezza cold coffee drinks brand was also completed during the year.

## Revenue

In 2023, Paulig Group's revenue was EUR 1,167.6 million (1,105.5), an increase of 5.6 per cent on the previous year. Revenue growth was mainly driven by price increases in order to address rising costs and inflation, volume growth within Customer Brands and the inclusion of the full year of Liven S.A.U.

Of Paulig Group's total revenue of EUR 1,167.6 million, 49 per cent came from the Nordic countries and 51 per cent from other countries. Business area Finland & Baltics accounted for 29 per cent of the external revenue, Scandinavia & Central Europe 29 per cent, Customer Brands 41 per cent and Other 1 per cent.

## Result for the financial year

The Group's operating profit was EUR 90.1 million (5.8), and its ratio to net sales was 7.7 per cent (0.5).

The consolidated result for the financial year was EUR 89.1 million (-19.9). Depreciation, amortisation and impairment losses totalled EUR 42.3 million (43.1). The net financial items were EUR 13.6 million (-20.6).

Furthermore, raw material prices, especially commodities decreased during the year, increasing the operating profit. Employee benefit expenses were higher due to salary inflation. The share of the associated company (DF World of Spices GmbH) was sold during the year and therefore no associated company results were included in the operating profit (no gain or loss recognised on the sale).

## Financial position

The financial position remained good for the entire financial year. The net cash flow from operations was EUR 125.9 million (61.7). The Group's solvency was at a good level throughout the year.

## REVENUE (MEUR)

	2023	2022	CHANGE
Finland & Baltics	<b>338.9</b>	345.9	-2.0%
Scandinavia & Central Europe	<b>334.6</b>	316.7	5.7%
Customer Brands	<b>477.7</b>	398.3	19.9%
Other	<b>16.4</b>	44.6	-63.4%
<b>Total</b>	<b>1,167.6</b>	1,105.5	5.6%

## KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2023	2022	2021
Revenue, MEUR	<b>1,167.6</b>	1,105.5	966.3
Other income, MEUR	<b>2.6</b>	11.0	9.8
Share of results in associated companies, MEUR	-	-21.6	4.0
Operating profit, MEUR	<b>90.1</b>	5.8	95.3
Operating profit, % of revenue	<b>7.7</b>	0.5	9.9
Operating profit before depreciation, amortisation and impairment, MEUR	<b>132.4</b>	48.9	137.5
Profit for the financial year, MEUR	<b>89.1</b>	-19.9	85.3
Shareholders' equity, MEUR	<b>583.2</b>	715.0	735.6
Return on equity, %	<b>13.7</b>	-2.7	12.0
Equity ratio, %	<b>61.3</b>	61.8	62.4
Cash and short-term deposits, MEUR	<b>51.4</b>	52.2	140.6
Interest-bearing liabilities, MEUR	<b>94.4</b>	149.9	157.8
Investments during the financial year, MEUR	<b>39.6</b>	56.3	46.7

## Investments

Investments during the financial year totalled EUR 39.6 million (56.3). The most significant investments were related to Horizon (a business transformation program), high-capacity vacuum pack and palletising solution renewal in roasting, capability building in Saue, Estonia as well as a new snacking pellet line in Spain and automatic nesting for tacos, together with a solar panels-related project in Belgium.

## 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 Group's main operative risks related to raw materials, their costs and their availability. In the management of risks associated with the acquisition of green coffee raw materials, the Group followed the policies adopted by the Board of Directors. The principal strategic risks were changes in competition and consumer behaviour in different market areas, accentuated by the weak economic outlook and the reduced purchasing power of households.

In its management of financial risks, the Group followed the treasury policy adopted by the Board of Directors. The availability of sufficient financing for the business in the future is guaranteed with credit facilities, even 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 proportion of raw materials is paid for in dollars.

## Personnel

Paulig Group's average number of employees decreased by 69 persons from the previous year. The majority of the Group's

2,209 employees on average were employed in Belgium (34 per cent), Sweden (20 per cent), Finland (16 per cent) and Spain (15 per cent).

## PERSONNEL

	2023	2022	2021
Average number of employees	<b>2,209</b>	2,278	2,190
Employee benefit expenses, MEUR	<b>162.6</b>	147.8	143.6

## Innovation and product development

More than 40 new products and services were launched in 2023. Among them, were the introduction of new decaffeinated coffees (Paulig Juhla Mokka Ilta and Paulig Café Los Angeles), Asian buns, World of Flavours collection for Spices, new Santa Maria Pops as well as the introduction of "smart" snacks for the out-of-home market by Paulig PRO. Paulig PRO brings together Paulig's brands, products and services for the professional market, such as restaurants, cafes, schools, healthcare and workplaces. The assortment ranges from coffee and beverages to tortillas, chips, spices and sauces.

PINC, Paulig's venture arm, invests in early-stage startups with the aim of supporting innovations enabling a more sustainable future of food. In 2023, PINC added three new startups to its investment portfolio, each focusing on different aspects of building a more sustainable food culture: from WNNW's cocoa-free alternative to chocolate made through advanced food processing, to Improvin's AI-powered sustainability performance platform and Amatera's biotech platform accelerating the sustainable cultivation of perennial crops.

## Sustainability

In 2023, Paulig updated its sustainability approach and continued the business integration of sustainability initiatives. Paulig's sustainability work is guided by Paulig Sustainability Approach 2030, which was revised in the spring of 2023 to include Nature. In addition

to reducing its climate impact, Paulig aims to take stronger action to protect biodiversity. Paulig's three updated focus areas with long-term ambitions are: health and wellbeing, climate and nature action, and fair and inclusive way of working.

In April 2023, Paulig announced the launch of EUR 2.7 million Climate Fund. The fund supports climate emission reductions in Paulig's value chain. In December 2023, Paulig joined COP28 to engage with global key stakeholders, exchange lessons learned from sustainability initiatives and to push for decisions from international peers, partners, suppliers and political decision-makers.

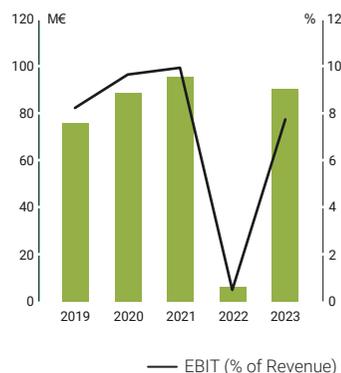
Paulig's climate targets are aligned with a 1.5°C pathway and approved by the Science Based Target initiative. In 2023, collaboration with Lantmännen continued to reduce carbon emissions in the wheat value chain. The wheat sourced according to Lantmännen's Climate & Nature program has up to 30 per cent lower climate impact compared to the 2015 baseline of average Swedish autumn wheat. Similar reduction efforts were agreed with Belgian wheat supplier Paniflower. In coffee origins, Paulig continued the existing and started new regenerative farming projects, notably in Brazil, Colombia and Nicaragua to encourage the implementation of climate-smart practices. In 2023, Paulig also took the first steps to electrify key logistics routes, with expansion planned in 2024.

In 2023, we achieved a 22 per cent reduction in greenhouse gas emissions in our own operations compared to the baseline year of 2018. An energy efficiency project was initiated to introduce solutions for our sites in Spain and Belgium. The availability of biogas and green gas certificates that meet our quality requirements continues to be a challenge.

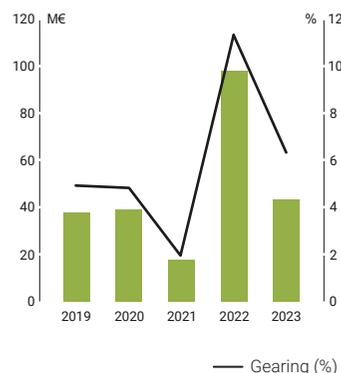
Paulig's nutrition framework is based on the widely used front-of-pack nutrition label Nutri-Score. At the end of 2023, 45 per cent of our net sales were derived from food products that met the criteria of enabling health for people. In 2023, a cross-functional project group started work to develop Nutri-Score A and B products.

In 2023, progress continued towards the strategic initiative target of securing external verifications for a selection of our top spices. In 2023, 71 per cent of the sourced volumes came from

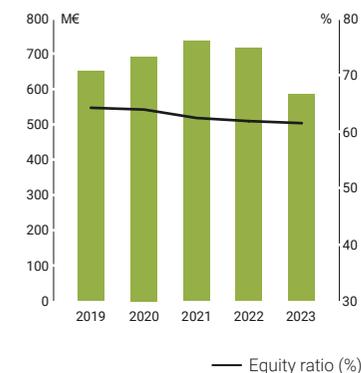
## EBIT



## Net debt



## Shareholders' equity



externally verified sources. In 2023, a human rights risk screening was conducted at Paulig level. This is part of the ongoing work to develop a human rights due diligence process that ensures respect for human rights both in Paulig's own operations and throughout the value chain.

### 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. Oliver Paulig is the observer of the Board.

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

The Group's CEO is Rolf Ladau.

The Group's auditor was 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 for the financial year was EUR 89,117,383.37. The parent company's distributable shareholders' equity was EUR 364,466,726.13 according to the financial statements on 31 December 2023. The Board of Directors proposes that a dividend of EUR 43.88 per share be paid, amounting to EUR 22,061,328.20 in total, and that the parent company retains distributable equity of EUR 342,405,397.93.

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

The global economic outlook continues to be uncertain with low growth expectations and continued geopolitical uncertainty.

In particular, the global supply chain is vulnerable, making the forecasting challenging.

Revenue and profitability are expected to improve in 2024.

### Events following the end of the financial year

On 13 March 2024 Paulig Group announced that it has initiated group-wide change negotiations affecting Paulig's office and managerial personnel. The reason for change negotiations is not to reduce headcount at company level. However, planned changes may lead to changes in roles and the discontinuation of certain positions. The potential redundancies are expected to be maximum 64 office or managerial employees globally. Paulig Group plans to implement the new organization starting from 1 June 2024.

The planned organization will merge the current three business areas into two: Branded Business Area and Customer Brands Business Area. In addition, Paulig Group continues to have global Business Functions that support both Business Areas.

# Consolidated Statement of Comprehensive Income

EUR 1 000	2023	2022	EUR 1 000	2023	2022
<b>Revenue</b>	<b>1 167 580</b>	1 105 517	<b>Other comprehensive income (OCI)</b>		
Other operating income	2 582	11 006	<b>Items that may be reclassified to profit or loss in subsequent periods</b>		
Materials and services	-687 116	-704 394	Foreign currency translation difference	211	-3 765
Employee benefit expenses	-162 575	-147 804	Change in fair value of hedging instruments	-15 489	29 232
Depreciation, amortisation and impairment losses	-42 279	-43 106	<b>Items that will not be subsequently reclassified to profit or loss</b>		
Other operating expenses	-188 109	-193 819	Actuarial gains and losses from defined benefit plans	-155	6 731
Share of result in associated companies	0	-21 609	Changes in fair value of equity investments through OCI	-740	-2 159
<b>Operating profit</b>	<b>90 082</b>	5 791	Tax effect	147	-1 064
Financial income	30 893	18 280	<b>Other comprehensive income (-loss), net of tax</b>	<b>-16 025</b>	28 976
Financial expenses	-17 263	-38 866	<b>Total comprehensive income (-loss) for the year</b>	<b>73 092</b>	9 066
<b>Net financial expenses</b>	<b>13 631</b>	-20 587			
<b>Profit (-loss) before taxes</b>	<b>103 713</b>	-14 795	<b>Profit for the financial year attributable to</b>		
Income taxes	-14 595	-5 114	Owners of the parent company	89 117	-19 910
<b>Profit (-loss) for the financial year</b>	<b>89 117</b>	-19 910		<b>89 117</b>	-19 910
			<b>Total comprehensive income for the year attributable to</b>		
			Owners of the parent company	73 092	9 066
				<b>73 092</b>	9 066

The consolidated financial statements should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	89 833	89 705
Intangible assets	23 688	23 435
Tangible assets	331 204	330 641
Shares in associated companies	0	50 000
Other receivables	1 398	1 378
Non-current financial assets	28 899	23 316
Deferred tax assets	5 927	8 727
<b>Total non-current assets</b>	<b>480 949</b>	<b>527 202</b>
<b>Current assets</b>		
Inventories	134 104	172 646
Trade and other receivables	183 747	166 644
Other current financial assets	99 605	229 458
Income tax receivable	726	9 125
Cash and short-term deposits	51 428	52 159
<b>Total current assets</b>	<b>469 609</b>	<b>630 032</b>
<b>Total assets</b>	<b>950 558</b>	<b>1 157 234</b>

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	8 204	8 204
Other equity	574 962	706 795
<b>Equity attributable to equity holder of the parent</b>	<b>583 166</b>	<b>714 999</b>
<b>Total equity</b>	<b>583 166</b>	<b>714 999</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	84 153	139 847
Other non-current financial liabilities	1 450	1 315
Provisions	4 378	4 408
Net employee defined benefit liabilities	2 039	21 358
Deferred tax liabilities	14 273	19 041
<b>Total non-current liabilities</b>	<b>106 295</b>	<b>185 968</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	10 275	10 077
Provisions	30	30
Trade and other payables	243 490	238 124
Income tax payable	7 303	8 037
<b>Total current liabilities</b>	<b>261 098</b>	<b>256 267</b>
<b>Total liabilities</b>	<b>367 393</b>	<b>442 235</b>
<b>Total equity and liabilities</b>	<b>950 558</b>	<b>1 157 234</b>

The consolidated financial statements should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

EUR 1 000	2023	2022
<b>Cash flows from operating activities</b>		
Net profit (-loss) before taxes	103 713	-14 795
Adjustments 1)	-3 825	113 206
Change in net working capital:		
Change in trade and other receivables	-17 062	-4 417
Change in inventory	38 542	-22 924
Change in trade and other payables	5 510	69
Dividends received	0	1 233
Interest received	12 026	3 871
Interest paid	-6 090	-12 072
Other financial income and expenses, net	1 842	8 153
Income taxes paid	-8 757	-10 601
<b>Cash flows from operating activities (A)</b>	<b>125 900</b>	<b>61 722</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-39 629	-56 334
Proceeds from sale of shares in associated companies	20 000	0
Proceeds from disposal of tangible assets	2 298	11 864
Investments in other investments (subsidiary acquisitions)	0	-58 805
Proceeds and investments in other investments (subsidiaries)	0	6 465
Dividends received	2 277	2 365
Net cash flow from investments	-8 905	-5 190
<b>Cash flows from investing activities (B)</b>	<b>-23 959</b>	<b>-99 635</b>
<b>Cash flows from financing activities 2)</b>		
Increase (-), decrease (+) in long-term receivables	-137	-158
Dividends paid	-34 238	-29 663
Repayment of borrowings	-50 615	-6 469
Repayments of leasing liability	-10 355	-13 416
<b>Cash flows from financing activities (C)</b>	<b>-95 345</b>	<b>-49 706</b>

EUR 1 000	2023	2022
<b>Change in cash flows (A+B+C)</b>	<b>6 597</b>	<b>-87 620</b>
Cash and short-term deposits at 1 January	52 159	140 551
Net foreign exchange difference in cash	-10	-772
Cash transferred in demerger	-7 318	0
Cash and short-term deposits at 31 December	51 428	52 159
<b>Change</b>	<b>6 597</b>	<b>-87 620</b>
<b>1) Adjustments</b>		
Depreciation, amortisation and impairment losses	42 279	43 106
Share of result in associated companies	0	21 609
Eliminated foreign exchange gains and losses	1 216	1 518
Net financial expenses	-13 631	20 587
Other adjustments	-33 689	26 388
<b>Total</b>	<b>-3 825</b>	<b>113 206</b>

## 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



Arnauld Demoulin  
b. 1971  
SVP, Business Area  
Customer Brands  
Working for Paulig  
since 2020



Lenita Ingelin  
b. 1967  
SVP, Business Area  
Customer Brands  
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



Mariell Toiger  
b. 1987  
CMO (Acting)  
Working for Paulig  
since 2015



Sarah Tähkälä  
b. 1969  
SVP, Legal  
Working for Paulig  
since 2010



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



# PAULIG

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