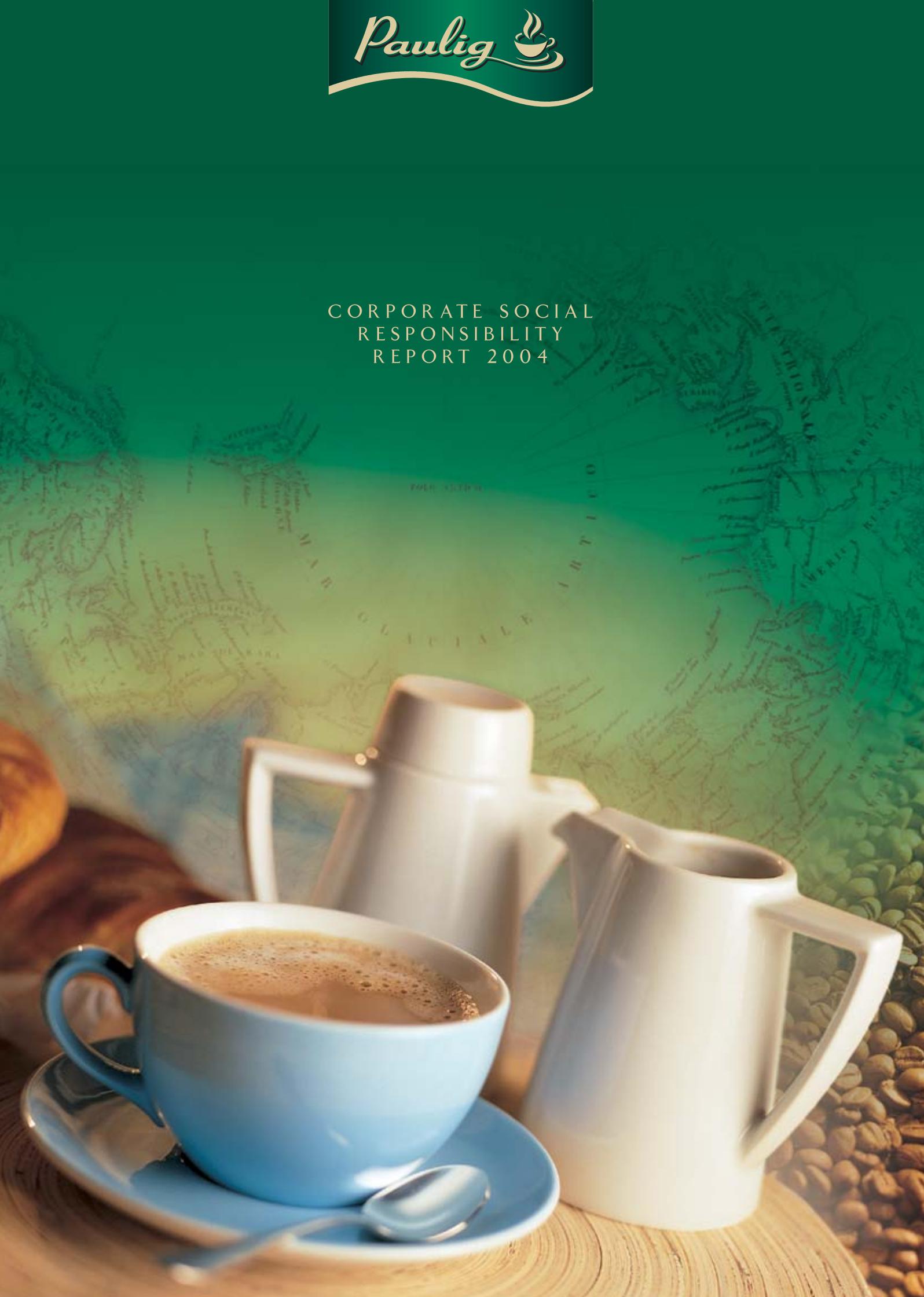




CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT 2004



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# CORPORATE SOCIAL RESPONSIBILITY REPORT 2004

This is the second report on corporate social responsibility to have been produced by Gustav Paulig Ltd. The company is also referred to in the text as Paulig. Gustav Paulig Ltd is part of the Paulig Group.

At Paulig we understand corporate social responsibility to mean developing and implementing practices and management systems, which safeguard our economic competitiveness, are justified in terms of environmental welfare and are socially responsible.

The report offers us an opportunity to provide our stakeholders with a comprehensive and accessible overview of our company's activities in the various fields of corporate social responsibility. Its purpose is to provide information on the company's performance in this area, which is relevant, accurate, comparable and verifiable. The report sets out to identify and assess what we have done so far and to outline the way towards future action.

In compiling this report we have made use of the international Global Reporting Initiative (GRI) guidelines. Its structure follows the GRI's three-pillar model in which responsibility is addressed in economic, environmental and social perspectives.

We have used the GRI framework in so far as it can be applied, selecting those indicators which are the most relevant to Paulig. Only information which already exists and can be obtained without unreasonable effort has been provided. Reporting will be extended on the basis of the GRI guidelines in line with developments in data collection as well as expertise and resources within our organisation.

Not all the information has been presented in the way required by GRI. For example, the use of many of the social responsibility indicators cannot be justified in the Finnish context. The financial indicators for Gustav Paulig Ltd are reported as part of the financial

statement for the Paulig Group. A comparison with the GRI core indicators is annexed to the report.

The information contained within this report has not been impartially verified. However, the degree of reliability can be considered to be high as the economic indicators are taken from statutory accounting records, the supply chain is covered by independent EFSIS auditing, and many aspects of environmental responsibility are subject to supervision by the authorities and to the ISO 14001 certificate.

The report covers the activities of Gustav Paulig Ltd in Finland. It covers the financial year ended 30 April 2004. The two previous financial years may be used as a point of comparison. Some of the environmental responsibility indicators use the calendar year. Certain parts of the report reflect the latest available information at the time the report was compiled.

The contact persons at Paulig for all matters relating to this report are Pekka Pirinen, Managing Director, and Leena Miettinen, Communication Manager. Both may be contacted at Gustav Paulig Ltd, POB 15, FI-00981 Helsinki, FINLAND; tel:+358 9 31981; email: first-name.lastname@paulig.fi. Further information on the various sections of the report can be found on our website at [www.paulig.fi](http://www.paulig.fi)



## WE KNOW OUR RESPONSIBILITY FROM BEAN TO CUP

Our approach to corporate social responsibility has become more in-depth and systematic, as ways of measuring and reporting action in the field of responsibility have developed. In practice, work has moved forward step by step throughout the coffee chain.

Our efforts in the area of corporate social responsibility have focused on our own staff, handling environmental issues, product safety, activities in coffee-producing countries and the area around our roasting plant.

We registered progress in all areas of responsibility during the last financial year. A significant development in economic terms was the transfer of all the activities of Viking Coffee Ltd from Vantaa to our roasting plant in Vuosaari. Thanks to this and to an increase in exports, annual production at the roasting plant reached a new record high. Success has also been achieved in terms of increased productivity and more efficient production.

As far as our work in the area of environmental responsibility is concerned, the highlight was acquiring the 1SO 14001 certificate in the beginning of June.

In the area of social responsibility, we have embarked on a pilot scheme to develop personnel management in the food industry together with two other companies in the food sector. The project has got off to a positive start and results are expected from it during this year.

Projects designed, implemented and financed by International Coffee Partners have continued in the coffee-producing countries. Paulig is one of the founding members of the organisation. The projects, which are practical in nature and based on the principles of sustainable development, have proved to be a useful way of developing the coffee sector in coffee-producing countries.

The product safety and quality requirements of the EF-SIS certificate are becoming stricter all the time. A review in spring 2004 resulted in the renewal of our higher level certificate, which is valid until February 2005.

We have reached an interesting stage in developments regarding the future of our roasting plant as we plan to build a new roastery in the industrial district being developed in Vuosaari harbour. The City Council of Helsinki approved a preliminary agreement between Paulig and the City of Helsinki for the sale of real estate on 1 September 2004.

We will be able to take a final decision on actual investment in the new roasting plant in 2006 at the earliest. For this to happen, the plans for the use of the land will have to be finalised and the harbour development work will have to proceed according to the timetable. Once the first phase of harbour development has been completed, work on the construction of the roasting plant could begin in 2008.

As the construction of the new roasting plant is a long-term project, work to develop the current plant goes on. Projects to achieve a further reduction in noise and odour are already in progress, since we wish to ensure that the thriving area surrounding our plant offers as pleasant a living environment as possible.

Our goal is to sustain and further consolidate our position as a company that people trust and as a business partner, employer and neighbour that people want to have. In order to achieve this, our work in the area of corporate social responsibility is set to grow in importance in the years ahead.

**Helsinki,  
28 September 2004**



**Pekka Pirinen  
Managing Director**



## GUSTAV PAULIG LTD IN A NUTSHELL



As an ambassador for good coffee, Paula is one of Finland's leading PR figures. Emmi Salonen became the fifteenth Paula when she took on the role in June 2004. Paula took part in the tenth anniversary event for Paulig partner Walkers, which took place by Helsinki railway station.

Gustav Paulig Ltd is a subsidiary of Paulig Ltd, and it is located in the Vuosaari district of Helsinki. Paulig was founded in 1876 and is a family-owned company. Gustav Paulig engages in coffee-roasting businesses as well as sales of coffee and chocolate beverage products. Paulig has had coffee roasting operations since 1904, in other words for a hundred years.

In the last financial year, Gustav Paulig had a total of 203 employees and its turnover was 148.6 million euros. Coffee accounted for 94% of turnover. Annual coffee production increased over 20% compared to the previous year, reaching a level of more than 42 000 tonnes.

Net sales stood at approximately the same level as last year. The increase in net sales stemming from the acquisition of Viking Coffee Ltd's operations was offset by the transfer of seasoning operations to Santa Maria Finland Ltd.

The company has a 30% holding in Kjeldsberg Kaffebrenneri A/S ([www.kjeldsberg.no](http://www.kjeldsberg.no)), a Norwegian coffee-roasting company. Gustav Paulig acquires green coffee for the Kjeldsberg plant, and the two companies work in close cooperation concerning purchases of packaging materials and technical development.

Gustav Paulig Ltd's best-known coffee brands are Juhla Mokka, Presidentti and Brazil. Paulig's speciality coffees include Espresso, the French-style Café

Parisien and the country of origin range of coffees Ethiopia, Kenya, Guatemala and Colombia. Colombia is a brand of organic coffee.

Other Paulig products are the ready-to-drink coffee Frezza and Tazza hot chocolate, which are both produced by our subcontractors. Paulig also imports and markets Melitta coffee filters.

### Key stakeholders and customers

Gustav Paulig Ltd's key stakeholders include the company's own staff, consumers, customers, affiliates, people living in the vicinity of our plant, green coffee suppliers and suppliers of other goods and services.

Other significant stakeholders are organisations, the media, the authorities, company shareholders and financial backers.

Paulig's customers are made up central wholesalers, retail chains, independent retailers and horeca business that includes cafés, restaurants, hotels, staff canteens, service stations and public sector organisations. Our public sector customers cover educational establishments, child day-care centres, homes for the elderly hospitals and premises run by the defence forces.

Dialogue between Paulig and its stakeholders is dealt with in the section on social responsibility.

# GUIDING PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY AND MANAGEMENT SYSTEMS

## Responsibility based on values and practices

The values, strategies, management systems and practices of Gustav Paulig Ltd form the basis of responsible action. A six-member steering group oversees the implementation and development of corporate social responsibility. In addition, each of the company's main business processes has a corporate social responsibility officer attached to it.

Monitoring of corporate social responsibility is ensured through the annually updated GRI framework, the environmental management system and environmental measurements required by law, as well as through quality control. The results are documented in this report.

Gustav Paulig Ltd's vision is to be one of the leading coffee-roasting companies in the Nordic countries

and selected markets in Eastern Europe. The company's mission statement is "Paulig coffee – for enjoyable moments"

*"When you start compromising on quality you might as well shut the factory gates"*  
(Gustav Paulig, 1905)

When it comes to managing, Paulig draws on systems based on international standards. Membership of both Finnish and international organisations is a way of enabling Paulig to participate actively in the development of its own sector and of business life in general. (Page 33)

## Gustav Paulig Ltd's values

### Quality

Quality manifests itself not only in our products, but also in our operating processes and working practices.

### Trust and respect for people

We give our employees responsibility and encourage them to use their abilities.

### Multicultural approach

We operate in many different markets, and we respect their special characteristics. In the absence of local legislation we ensure we comply with international agreements.

### Innovativeness

The ability to evolve is the cornerstone of our success.

### Openness

We encourage our employees to communicate openly, and also to be open-minded when encountering with new things.

## Gustav Paulig's quality policy

We offer high quality branded products and services to our customers.

We are a preferred business partner.

We provide our employees with interesting goals and challenges, which they are willing to commit themselves to.

We are profitable and long-term investment for our shareholders.

### This means that:

- We continually develop our products and operations.
- We combine our many years of experience with the latest expertise, while paying due attention to product safety and legal requirements.
- We ensure that our employees have the right skills and are motivated.
- We seek ethical solutions that are compatible with sustainable development and social responsibility.



Paulig's coffee plant and chicory factory, the first roasting plant in Scandinavia, opened its gates in Katajanokka in Helsinki on 19 November 1904. Our first office premises at Satamakatu 11 were completed in 1911. The building was designed by architect Waldemar Aspelin.

### Products and operations: thinking in terms of quality

The main thrust of Gustav Paulig Ltd's quality policy is to supply customers and consumers with high-quality branded products and services. In addition to traditional product quality, the quality policy also covers operational quality, the principal aim of which is to ensure the balanced and systematic development of the company's business processes.

Progress in the area of business process development is measured using a balanced scorecard procedure. Development targets and suitable indicators are defined not only for processes but also for departments and tasks.

The international EFSIS standard, which focuses on product safety and hygiene, plays an important role in the implementation of the quality policy. The company has held an EFSIS certificate since 1999 and external EFSIS audits are conducted annually.

When it comes to managing the environment, the company uses an environmental management system based on the ISO 14001 standard.

### Involvement in business and trade organisations

Some of the Finnish and international associations and organisations in which Paulig is active are listed below. The list on page 33 describes them in more detail.

#### Cooperation in Finland

- ECR Finland
- The Finnish Food and Drink Industries' Federation (FFDIF)
- Finnish Business and Society
- The Association of Finnish Advertisers
- The Finnish Coffee Roasters' Association
- The Environmental Register of Packaging PYR Ltd
- The Speciality Coffee Association of Finland
- The Finnish Packaging Association
- Finnish Plastics Recycling Ltd
- The Santa Claus Foundation

#### International Cooperation

- International Coffee Partners GmbH (ICP)
- The European Coffee Association (EUCA)
- The Institute for Scientific Information on Coffee (ISIC)
- The Coffee Science Information Centre (CoSIC)
- Physiological Effects of Coffee (PEC)
- The Speciality Coffee Association of America (SCAC)

## RESULTS OF CORPORATE SOCIAL RESPONSIBILITY

At Paulig we understand corporate social responsibility to mean developing and observing practices and management systems which safeguard our economic competitiveness, are justified in terms of environmental welfare and are socially responsible.

Our approach to responsibility is based on the company's strategies. The aim is to extend responsibility more clearly than before throughout the value chain from the bean to the cup, and to incorporate it into the

daily work of each and every member of the Paulig team. Guidelines are being further developed for both internal operations and materials procurement.

In compiling the Corporate Social Responsibility Report, we have made use of the international Global Reporting Initiative (GRI) guidelines. The structure of the report follows the GRI's three-pillar model and thus examines responsibility from the economic, environmental and social perspectives.

### Key results

#### Economic responsibility

- Transfer of Viking Coffee's production operations to the roasting plant at Vuosaari
- Profitable exports to Russia and the Baltic countries
- Enhanced productivity and efficiency of operations

#### Environmental responsibility

- Refining our environmental management system to ensure compliance with the ISO 14001 standard and being awarded the ISO 14001 environment certificate
- Launch of new projects to reduce the direct environmental effects of the roasting plant in spring 2004

#### Social responsibility

- Café Santos coffee training provided for almost all staff
- Launch of pilot project, called HELA, to enhance quality in personnel management in spring 2004
- Continuation of International Coffee Partners projects in coffee-producing countries and the launch of two new projects

#### Product safety

- Successful EFSIS certificate audit focusing on product safety and renewal of the higher level certificate
- Self-assessment at various points carried out by production staff

### Targets for development

#### Economic responsibility

- Planning the new roasting plant and the investment involved in order to safeguard future operations
- Maintaining our market position in Finland and consolidating our position on selected export markets
- Further developing the market for coffee

#### Environmental responsibility

- Further reduction of environmental impacts of the roasting plant, such as noise and odour
- Auditing key logistics partners on the basis of ISO 14001 quality and environment standard criteria
- Minimising use of natural resources in office work, focusing primarily on reducing paper and electricity consumption

#### Social responsibility

- Further improving personnel management
- Developing project expertise and providing on going international training for supervisors
- Focusing on vocational training and multiskilling of employees
- Improving efficiency of work-time system and service and maintenance in production

#### Product safety

- Improving the traceability of green coffee in countries of origin
- Establishing mutual quality agreements with all major materials suppliers

## ECONOMIC RESPONSIBILITY

Gustav Paulig Ltd has been operating profitably for a number of years now, and this can be put down to its skilled and committed staff, good customer relations, long-term brand building, our consumer awareness and to the fact that the company has constantly developed its operating methods and processes.

In the financial year ended April 2004, the company recorded net sales of 148.6 million euros and a high level of profitability. Net sales grew by 1.1% compared to the previous year.

Coffee production at the Vuosaari plant and at Viking Coffee's Hakkila plant, which was operational for part of the year, together totalled 42 000 tonnes. Purchases of green coffee stood at 53 500 tonnes. The figures include both our own and our customers' products and raw materials. Purchasing costs for raw materials and other supplies amounted to approximately 74 million euros, while green coffee purchasing costs totalled 68.6 million euros.

Employee wages and salaries, including associated social costs, accounted for 11.1 million euros. This figure includes taxable benefits, such as company cars and mobile phones. The company employed 203 people in the financial year ended April 2004.

Gustav Paulig Ltd paid around 9.4 million euros in turnover tax during the same financial year.

All the financial indicators have been calculated on the basis of the company's statutory financial statement, which includes all of the company's areas of business. The indicators referring to Gustav Paulig Ltd's profit are reported as part of the profit for the Paulig Group.

### Profit from more efficient operations and export markets

Profit in the last financial year was boosted by the company's increased coffee sales in Finland, Russia and the Baltic countries, as well as by the transfer of Viking Coffee's production activities to Vuosaari roasting plant.

Around 10% of the coffee roasted by Paulig is sold in the Baltic countries and Russia, where Paulig Baltic Group, a subsidiary of the Paulig Group, is responsible for sales. Sales in these countries grew by 7.8% during the financial year. Sales prospects are positive as economic growth is expected to remain strong in those countries, which will increase coffee consumption.

In February 2003 Paulig acquired Viking Coffee Ltd's operations from Kesko Food Ltd. The company's production and its machinery were transferred to Vuosaari in November 2003.

The review period saw significant increases in productivity at our roasting plant in Vuosaari. A growth in production of over 6 000 tonnes was achieved with almost the same staffing levels and without any major additional investments in equipment. Paulig's own processes were also successfully combined with those of its suppliers. For example, the storage time for packaging materials was shortened to below even the target level, which has reduced the amount of capital tied up in storage. We intend to improve our use of production capacity yet further, largely on account of favourable export prospects.

### Key figures for financial responsibility by financial year (EUR 1000)

Financial year	1.5.2000- 30.4.2001	1.5.2001- 30.4.2002	1.5.2002- 30.4.2003	1.5.2003- 30.4.2004
Net sales	160 866	142 025	146 930	148 600
Wages and salaries paid, additional personnel costs and fringe benefits	10 174	10 015	10 627	11 067
Purchasing costs of green coffee and other material	84 848	72 561	75 894	74 168
Interest and other financial income	431	257	730	337
Interest and other financial expenses	3 226	1 982	395	678

## CASE STUDY: Paulig Espresso in McDonald's restaurants in Russia, the Baltic countries and Belarus

Successful exports were a key element of the high profit level achieved in the last financial year. This helps to generate employment and income in both Finland and our export markets.

Following a marketing trial in St Petersburg, McDonald's chose Paulig to supply espresso coffee to its restaurants in Russia, the Baltic countries and Belarus.

- We chose Paulig because it is a trusted and long-standing partner of ours and because it appreciates the importance of quality and service. Furthermore, the Paulig brand already has a strong position in the target countries, McDonald's European Product Leader Jukka Sairanen explains.

Today there are already well over a hundred McDonald's restaurants in Russia, and new restaurants are being opened at a rate of 25-30 a year. The contract covers not only the supply of coffee but also staff training, quality management and operational development projects.

- We expect this cooperation to consolidate the image of McDonald's as a trendy place to drink coffee. The further east you go, the less people are used to drinking espresso-based speciality coffees, so this could be a great opportunity to break into this market, Sairanen points out.

Cooperation began in McDonald's restaurants in St Petersburg.





The traditional Presidentti brand continues to appeal today thanks to ongoing product development. Product Development Technician Vuokko Puonti, Brand Manager Iiro Jussila and Product Development Technician Virpi Laaksonen investigate new packaging models.

### Steady growth on domestic market

Annual sales of roasted coffee in Finland total almost 50 000 tonnes, of which 98% is traditional light roast coffee. Retail sales account for 38 000 tonnes of coffee annually. About 98% of this is traditional, light roast coffee. Paulig's market share of retail sales stands at around 58% for traditional coffees and about 35% for speciality coffees (ACNielsen, rolling 12-month ScanTrack survey, August 2004).

Sales and market shares of Paulig coffees have increased slightly while total sales on the Finnish coffee market have remained unchanged. However, market conditions are becoming tougher on account of both international competition and an increase in the number of retail chains producing their own private labels.

The consumer price for coffee did not rise during the review period, even though the world market dollar price for green coffee has increased. The reasons for this are the strong euro and heightened price competition in the retail sector. Raw material costs are the single most important factor influencing the price of a packet of coffee.

While the size of the domestic market is likely to remain at current levels, supply is diversifying. Although the majority of coffee sold is still traditional coffee, speciality coffees are also attracting consumers more than in the past. Sales of speciality coffees are in-

creasing proportionately more on export markets than on the domestic market.

### Finland's best-known coffee brands

Paulig's coffee brands Juhla Mokka and Presidentti are among the best-known product brands in Finland. They are both celebrating their 75th anniversary in 2004. Consumer surveys indicate that Juhla Mokka and Presidentti have long been Finnish people's favourite coffee brands (Taloustutkimus Oy, coffee survey).

An IRO Brandflow survey revealed that nearly 80% of consumers recognise Paulig's main brands spontaneously (May 2004). A European Trusted Brands survey found that Juhla Mokka was the most trusted coffee brand in Finland. The second most trusted brand was Presidentti and the third Paulig (Reader's Digest, 2004).

Paulig aims to keep on developing the coffee market and to maintain consumer interest, for example by launching new products. A dark roast brand of Presidentti Tumma Paahto was introduced in 2003 and is the most preferred brand in its category. The Frezza product family's new flavour Frezza vanilla entered the market in May 2004.

## ENVIRONMENTAL RESPONSIBILITY



The Paulig roastery is an integral part of the Vuosaari surroundings. The current roastery has been operating in the area since 1967. When operations began, there were around 15 000 people living in Vuosaari. That figure now stands at 38 000.

Paulig's work in the area of environmental responsibility proceeded according to plan during the review period. An environmental management system based on the ISO 14001 standard was implemented last year and certified in June 2004.

Our environmental policy was modified to bring in in-line with the requirements of the ISO 14000 standard. The company submitted an application for a new environmental permit in April 2004.

No environmental accident or damage to the environment was registered during the review period. The only incident reported to the authorities was the release of coffee scale (bean chaff generated during production) into the atmosphere in autumn 2003. This caused a momentary and harmless dust emission. No complaints concerning odours came in from our neighbours. Five noise-related complaints were lodged at the height of summer when overheating machinery caused us to increase ventilation.

### Coffee production by financial year

	2000	2001	2002	2003	2004
Production (tonnes)	33 056	32 600	34 600	34 540	39 175 *

\* Production of Vuosaari roastery

### Emissions from Vuosaari roastery

Emissions (tonnes) *	2000	2001	2002	2003	2004
Dust	1.0	1.0	1.1	1.1	1.2
Hydrocarbons	20	21	22	22	25
Carbon monoxides (CO)	98	103	109	109	123
Carbon dioxides (CO <sub>2</sub> )	5 086	5 323	5 650	5 640	6 386
Sulphur dioxides (SO <sub>2</sub> )	0.02	0.02	0.02	0.02	0.02

\* Calculated on the basis of production. Reference year 2002

## CASE STUDY: ISO 14001 -environment certificate

Paulig was awarded the ISO 14001 certificate on 11th June 2004. The periodic reviews involved are carried out about every nine months.

Although Paulig has been working on environmental issues for many years, it was only in autumn 2003 that work began on an environmental management system based on the ISO standard. Thanks to the thorough groundwork, the review phase was able to begin this spring. An external audit is used to establish whether or not the company's operations comply with the requirements of the ISO 14001 environment standard.

International auditors Det Norske Veritas reviewed Paulig's activities in April-May 2004. The company received praise for its comprehensive yet short and to-the-point environmental management system, its familiarity with legislation, its monitoring procedures and for its clear division of responsibility in matters of environmental management.



Assessing the environmental effects of an individual packet of coffee presents a challenge. However, we do know that a considerable proportion of these effects are caused when the coffee is being transported by sea and when it is being prepared in the consumer's own home. Paulig has no way of influencing this directly. However, in the coffee-producing countries Paulig can exercise indirect influence on environmental matters, through its local partners and by participating in international development projects in the coffee sector, such as via the International Coffee Partners.

### Environmental effects of roasting plant operations

In line with our environmental policy, which was approved in November, we strive to minimise the environmental effects of our production as far as possible. We do this by using the Best Available Techniques (BAT) when it comes to new and replacement investments and by planning and steering our operations efficiently.

### Emission volumes

In the financial year ended April 2004, Paulig produced 39 175 tonnes of coffee at its Vuosaari roasting plant.

Emission levels can be estimated with a sufficient degree of accuracy based on the volume of production. 2002 has been used as the reference year for the calculation.

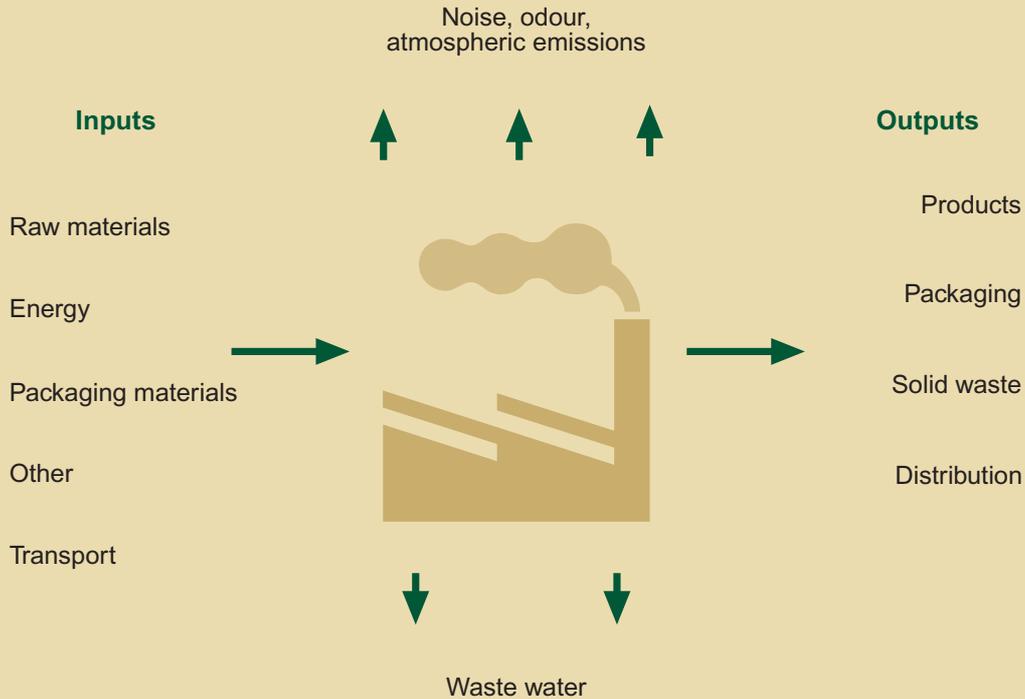
Approximately half of the roasting plant's carbon dioxide emissions are generated by natural gas combustion, while the other half is released from the roasted coffee. Paulig's carbon dioxide emissions are equivalent to around 0.3% of those from the local Vuosaari power plant, for example. Steam is also released into the atmosphere during operations. Most of the dust generated is captured during the production process using dust separators and filters.

The volume of hydrocarbon compounds, such as aldehydes, furanes and ketones is also low. The odour generated at the end of the roasting process is a product of these compounds.

Sulphur dioxide emissions are extremely low because the roasting plant uses exclusively low-sulphur Siberian natural gas as fuel.

The use of natural gas requires hazard assessment updates to be carried out, and in March 2004 Paulig's equipment, piping and safety systems were deemed to be in order.

## Environmental effects of the roastery



The environmental effects of coffee production are on the whole slight. However, the fact that the roasting plant is situated in the middle of a growing residential area does require special care on our part to ensure a pleasant environment for local residents. Our primary environmental objective is to reduce direct adverse effects on the local environment, such as noise and odours and in a way that makes sense both economically and technically.

### New environmental permit

As a result of changes to legislation (the Environmental Protection Act and Decree, 2000), Paulig applied for a new environmental permit in spring 2004. The company has held a valid permit since 1996. The company has now applied for a permit to allow for annual production of 66 000 tonnes and for a three-shift schedule on working days with effect from October 2004.

### Less energy

Gustav Paulig Ltd's energy consumption has decreased compared to the previous year. In 2003\* 7 831 megawatt hours (MWh) of electricity were used, 13 869 MWh of natural gas and 5 381 MWh of district heat energy. Total energy consumption stood at 27 081 MWh compared to 28 740 MWh for the previous year.

Compared to 2002\*, consumption of electricity fell by 5.6%, of natural gas by 0.9% and of district heat energy by 16.6%. The decrease in the use of district heat was the result of a mild winter and also a reduction in

the size of the surface area to be heated. Energy efficiency is taken into account in all new investments.

\* Calendar year used as reporting period

### Developments in waste sorting

The total volume of waste generated during the last financial year was 865 tonnes. This represented a 12% increase on the previous financial year. The figure is not totally accurate as the statistics on organic waste are now expressed in terms of tonnes rather than number of collections.

The amount of waste generated in the production has fallen significantly and ever increasing proportion of the waste is available for reuse. More efficient waste sorting has been achieved thanks to an increase in training and in the number of waste containers.

The collection of mixed waste has been discontinued. More careful sorting has meant that mixed waste is

### Energy consumption per calendar year (MWh)

Calendar year	2000	2001	2002	2003	2004 *
Electricity	7 209	7 824	8 298	7 831	4 747
Natural gas	13 219	13 213	13 988	13 869	9 683
Heating	5 891	6 794	6 454	5 381	3 030

\* January-July

### Waste volumes (tonnes per financial year)

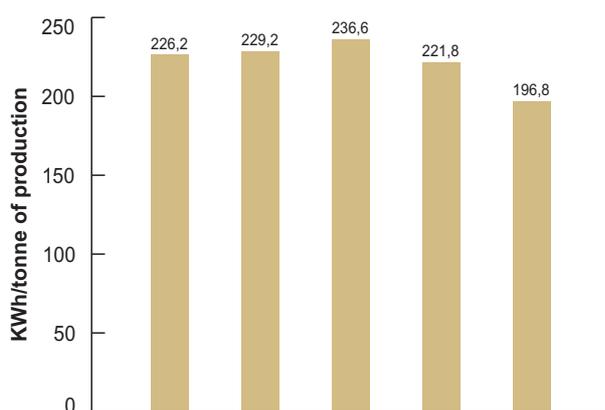
Financial year	1.5.2000- 30.4.2001	1.5.2001- 30.4.2002	1.5.2002- 30.4.2003	1.5.2003- 30.4.2004
Mixed waste	386.1	513	431.2	267.5
Cardboard	22.3	74.5	25.7	38.8
Trade and industry packaging waste *				74.4
Energy waste	112.6	33.2	59.7	191.1
Biodegradable waste **		400	216	158.4
Paper	4.4	18.7	3.6	39.3
Building waste	0	1.8	8.4	60.5
Hazardous waste ***		3	1.4	0.45
Metal	14.3	9.2	26.3	34.9
Total	539.7	1 053.4	772.3	865.35

\* Collection began in early 2004

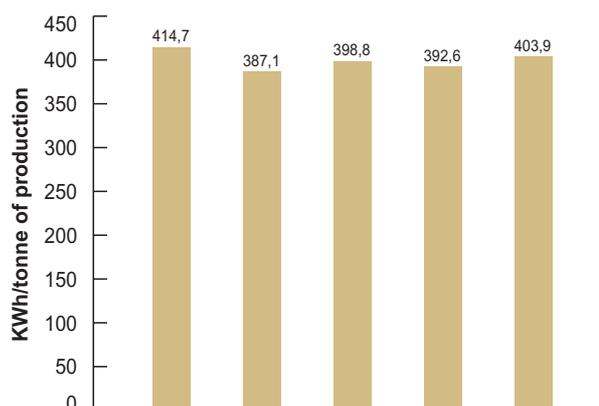
\*\* 2001 and 2002 data on number of collections, 2003 data on tonnage

\*\*\* Oily waste, fluorescent tubes, batteries

### Electricity consumption as a ratio of production



### Natural gas consumption as a ratio of production



being treated as trade and industry packaging waste, a considerable proportion of which is recycled while the rest is burnt at a waste incineration plant. Statistics on trade and industry packaging waste were kept for the first time during the review period.

On the other hand, volumes of energy waste, waste paper and cardboard as well as construction and hazardous waste all increased. The volume of construc-

tion waste increased sevenfold owing to demolition work on a number of buildings on the site of the roasting plant. The transfer of Viking Coffee's production to Vuosaari and the changes involved also increased the volume of construction waste.

In May 2003 remote-alarmed waste containers and presses were introduced, which have improved the efficiency of the company's waste logistics. For exam-

ple, the cardboard press container used to be emptied around once a week but it is now emptied about once a month. A GSM link in the waste containers informs the waste management company that the containers need to be emptied, and the fact that containers are not emptied until they are full drastically reduces the number of collection times.

Coffee, which is returned to us from shops, was delivered to the Helsinki Water Company's composting department.

Individual offices have been equipped with waste carts complete with sorting instructions, and there are also cardboard recycling points on our office premises. The company SOL Palvelut Oy, which is responsible for cleaning our production and office premises, has been involved in developing sorting and it has made a commitment to observe the sorting instructions.

### Only a little water

Process water in Paulig production is generated only by the soaking of coffee chaff. The resulting coffee chaff sludge is released with the permission of the City of Helsinki into the drainage system and channelled on to the waste water treatment plant. Water consumption in the financial year ended 30 April 2004 reached 26 540 cubic metres.

The review period saw the introduction of a system of partial separation for composting of the coffee chaff waste. This reduces the level of impurities in the waste water.

**Packaging Machine Operator Teresa Tumelius sorts the waste generated in production. Waste sorting has enabled us to do away with mixed waste collection altogether.**



### Recycling packaging materials

Paulig has made a commitment in its environmental policy to look for product packaging solutions that take environmental considerations into account, are of high technical quality and that are at the same time as practical as possible for consumers.

The vast majority of Paulig's packaging material is provided by two suppliers, with whom bilateral quality agreements have been signed. Both suppliers have quality and environmental management systems which are certified as complying with the ISO 9000 and 14001 standards.

To a certain extent the laminate from coffee packaging can be utilised. Paulig supplies larger batches of waste laminate to the company Muovix Oy, which manufactures tables and park benches from the recycled materials. For further information, please consult: [www.muovix.fi](http://www.muovix.fi)

Gustav Paulig Ltd is part of the Environmental Register of Packaging PYR Ltd ([www.pyr.fi](http://www.pyr.fi)), which was set up by industry and the packaging sector. Participating companies have transferred their obligation to reuse the packaging that they bring onto the market to PYR. In acknowledgement of this, Paulig has been granted the PYR trademark.

### Development projects in logistics

Gustav Paulig Ltd does not have its own transport fleet. Its logistics partners ensure green coffee deliveries from the coffee-producing countries via the port to Vuosaari. Customers are themselves responsible for collecting finished products.

When transporting green coffee, the aim is to use the procedures and instruments which are the most efficient and result in the least possible harm to the environment. Paulig transports its coffees from the coffee-producing countries as sea freight. Almost 90% of coffee is packed in in-leds and transported in containers which are filled to capacity.

2 041 containers were delivered to Paulig in 2003, of which 1 801 or 88% were in-led containers. 1 802 containers were delivered to Paulig in the previous year. An increase in the volume of coffee production has meant that there has been a rise in transport both to and from the Vuosaari plant.

### Coffee collections on the increase

No statistics have so far been kept on our customers' collections from the roasting plant. However, reporting



**The majority of our green coffee is today transported in large-size in-lets.**

and monitoring systems for these collections are currently being devised. Spring 2004 saw the launch of a trial for an electronic load logbook.

There are more outgoing deliveries of coffee than incoming. The reasons for this include the fact that roasted coffee requires greater capacity than green coffee, as well as the use of different types of packaging and variation in collection habits.

Changes in central wholesalers' logistic practices, such as the discontinuation of temporary storage, have led to an increase in the number of collection times for finished coffee products.

It has been possible to reduce the number of collections for smaller clients by combining loads intended for several retail outlets.



## Aims and objectives of Gustav Paulig Ltd's environmental management system

### **Aim: To maintain energy consumption in production at 2003 level or lower**

Specific objective and actions to be taken: To maintain electricity and natural gas consumption at 2003 level. No specific action is planned at this stage other than to keep maintaining efficiency through careful planning and maintenance in production.

### **Aim: To reduce the amount of waste generated by production at the roastery**

Specific objective and actions to be taken: To process all coffee waste generated in production as organic waste for composting.

Specific objective and actions to be taken: To implement the Green Office approach, including defining the concept, assessing current state of play, establishing procedures, providing information and training, and designing follow-up procedures.

### **Aim: To reduce the adverse effects of noise**

Specific objective and actions to be taken: To implement the noise reduction plan and review noise levels. To achieve a noise level below 50 decibels.

### **Aim: To reduce the adverse effects of odour**

Specific objective and actions to be taken: To reduce the number of complaints from residents to fewer than 10 per year. To take stock of the odour problem using a panel of residents. To close off ventilation to transport systems and to channel air output through filters as well as to map out Best Available Techniques (BAT).

Action to achieve these aims is scheduled for 2004-2005.

**The Barista Café, which is used by both staff and visitors, now serves almost all its coffee in porcelain cups. The use of cardboard cups has fallen by a half in the first six months of 2004. The café has also been equipped with sorting points for recycling.**

## CASE STUDY: Targeting a pleasant local environment



**Action to combat noise includes fitting silencers to entry and exit ducts for ventilation.**

The number of people living in Vuosaari has increased rapidly and a truly urban landscape has developed around the Paulig roasting plant. Even though the relocation of the plant is on the horizon, Paulig is working hard to ensure a pleasant environment for local residents by paying particular attention to the adverse affects of noise and odours from its production.

Noise tends to be generated by the cool air inlets and outlets in the roasting machines, roasting fume outlets, and the ducts channelling air out of the packaging and production areas. At the time the report was compiled, the first silencers and insulators had been fitted around the coffee bean transportation pipes and to the ends of the ventilation ducts, while an order had been placed for the remainder.

Noise measurements carried out in April 2004 showed that noise on the surface area of the roasting plant slightly exceeded the 55-decibel statutory limit value. Most of the noise is directed towards Iiluodontie, the road to the west. However, the noise to which our closest neighbours are exposed is close to the limit value.

Further noise abatement work is being carried out. A report indicates that once the noise abatement work has been completed, the noise will be brought down below a level of 50 decibels. A full noise prevention plan will have been implemented by autumn 2004 for a total cost of 100 000 euros.

The odour panel project was launched in spring 2004. The purpose of the project is to look at the adverse effects that odours from the roasting plant can have on the local area as a pleasant environment in which to live. Areas for improvement will be identified by assessing the incidence and nature of odours with the help of a panel comprised of local residents. The project will be conducted during the autumn and winter of this year by Technical Research Centre of Finland. The panel is expected to present its findings in March 2005.

## SOCIAL RESPONSIBILITY

The key elements of social responsibility for Gustav Paulig Ltd are responsibility for its own staff and responsibility in the supply chain. The focus is primarily on the coffee-producing countries as far as responsibility in the supply chain is concerned.

### Responsibility for employees

Gustav Paulig Ltd's personnel policy is based on the values of the Paulig Group: quality, trust and respect for the people, multicultural approach, innovativeness and openness. The aim is to have a competent and motivated workforce.

In a survey of working atmosphere conducted in spring 2004, employees were asked to assess on a scale of 1 to 5 (5=highest mark) the extent to which those values were achieved in practice. Quality received the highest mark of 3.75.

### People at Paulig

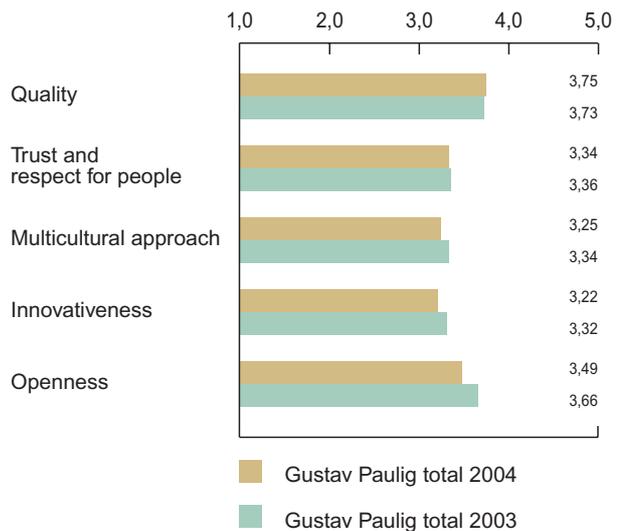
During the financial year ended April 2004, Gustav Paulig Ltd employed 203 people, of whom 95 were blue-collar workers and 108 white-collar workers. The company employed 225 people in the previous year. The reduction in the number of jobs is explained by the transferring of Viking Coffee's production in Hakki-la to Vuosaari. All the jobs are located in Helsinki. 96% of the positions were full-time and 93% permanent.

Over 90% of the blue-collar workers are members of the Finnish Food Workers' Union (SEL). The company has no information on the trade union membership of

**The annual picnic day for employees and their families has become a tradition. There is something for everyone, whatever their age, at this varied event.**



### Putting values into practice at Paulig



its white-collar workers, as any membership fees are not deducted directly from their salaries.

Approximately half the employees are women and half men. The average age among staff is 44 years while the average length of employment is 16 years. As in previous periods, staff turnover stood at approximately 2% during this review period. Two employees retired from the company and five went into partial retirement.

The company's equal opportunities plan states that men and women have the same opportunities for training and career development. Competence is the crucial factor when it comes to recruitment. Women represent 35% of the company's managerial staff and there is one female member of the company's eight-member management team. No more accurate statistical data has been kept on the extent to which equal opportunities have been achieved.

A result-based bonus system is applied to all staff. In addition to financial results, performance criteria for teams and individuals are defined for each process.

The company has taken measures to make it easier for staff to reconcile working life with family life. During the review period, two managers worked a four-day week and employees also utilised job alternation leave op-

opportunities. Roasting plant employees with children under ten years of age can choose to work a single shift. Other more flexible working conditions for families can be applied on a case-by-case basis. All employees can engage the services of a childminder at the company's expense to look after a sick child at home. Opportunities for teleworking are being further developed.

The company promotes the physical and mental welfare of the workforce by providing occupational healthcare and supporting free-time and leisure activities. There are about twenty clubs devoted to different recreational pursuits, as well as holiday homes for use by staff. Children's parties for employees and their families together with summer and winter events are organised every year.

### Listening and communicating

The Paulig Group's companies in Finland and Estonia run an advisory committee which serves as a discussion forum between staff and management and provides staff with a means of influencing company life. The advisory committee deals with matters such as the annual plans, budgets and financial statements of the parent company and subsidiaries, as is required by co-determination legislation.

The white-collar and blue-collar workers both elect their representatives to the advisory committee every two years. The board of directors of Paulig Ltd appoints the employer representatives to the committee.

In addition to the advisory committee, Gustav Paulig Ltd also organises a review by the managing director for staff representatives twice a year, with the possibility of a joint meeting if required. The departments in the company generally hold their own meetings once a month. The company also operates a scheme to promote initiative.

A "Management Forum" for experts and supervisors is arranged on an annual basis to discuss topical issues relating to company development. Review sessions are organised as required in order to examine current development projects and to provide information on their state of advancement.

We have improved dialogue with production personnel by involving them much more closely in production planning. Possibilities for flexible working hours were extended in spring 2004 by making it possible to work three six-hour working days as well as two eight-hour days. Several departments have also been operating a weekend shift system, which has made it possible

## Employee statistics for financial year 1 May 2003 – 30 April 2004

- Hours of training per employee:  
white-collar workers – 80 hours,  
blue-collar workers – 40 hours
- Number of employees: 203  
50% women, 50% men  
95 blue-collar workers, 108 white-collar workers
- Blue-collar workers:  
Full-time 91  
Part-time 4  
Permanent 86  
Temporary 9
- White-collar workers:  
Full-time 104  
Part-time 4  
Permanent 102  
Temporary 6
- Absences through sickness: 6.8 days per employee  
Absences through occupational accidents:  
0.4 days per employee
- Average age (all employees): 44 years  
Average length of employment  
(all employees): 16 years
- 2 employees retired from the company  
5 employees were in partial retirement

to reduce the amount of overtime being worked and to increase production.

Employees receive additional information on the company and its activities from their supervisors, the intranet and a further weekly bulletin. News from the Paulig Group is circulated in the Paulig Reporter and Paulig Group Journal newsletters. There is a special section on the intranet and on the company's website providing information on corporate social responsibility. The results were announced at an event for the whole staff, during which a brochure setting out the results was distributed.

## CASE STUDY: Quality of personnel management in the food industry

A project entitled quality personnel management in the food industry, which is coordinated by the Finnish Food Workers' Union (SEL) and financed by the Ministry of Labour, was launched in August 2003. Paulig is participating in this pilot project along with Fazer Bakeries Ltd and Raisio Nutrition Ltd. The project affects all staff and will run until the end of 2004.

- The objective is to nurture a culture within Gustav Paulig Ltd in which both management and employees are pulling in the same direction, and also to boost the company's competitiveness, explains Timo Silén, the Managing Director of Innovation Networks Ltd, the company conducting the project.

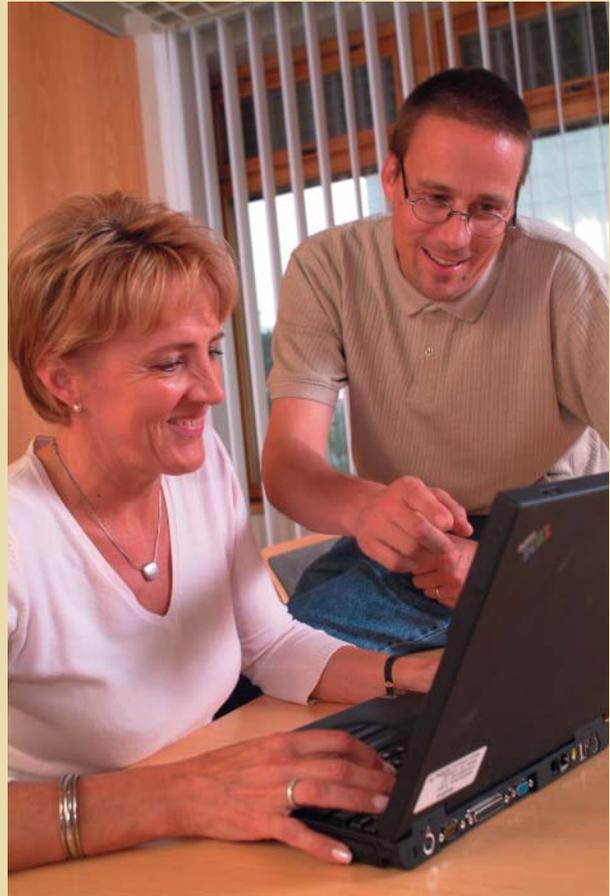
The first phase in autumn 2003 involved taking stock of personnel management in the company today and mapping out areas for improvement. The highest ratings were given for systematic management, strategic planning, customer and market awareness and operational processes. The company was considered to be weaker in the areas of understanding the needs of the environment and society, managing the skills pool, operational methods and welfare.

On the basis of the mapping exercise, developing the role of supervisor, managing know-how, welfare at work and job satisfaction were all defined as areas for improvement.

Working groups of five to six members are looking at each individual area. The groups have split their topics into more specific areas for improvement and defined objectives and action to be taken. Two of the groups are drawing up a practical guide for their topics, while a third is exploring ways of coping at work and of improving conditions for stimulating welfare.

The next assessment of the results from the working groups will be carried out in October 2004. This will serve as the basis for drawing up and implementing a personnel management development programme. Best experiences and practices will be exchanged with the other companies involved in the pilot project.

Gustav Paulig received 408 points in the initial assessment. The best performing company in an equivalent survey was awarded 683 points, while the worst performing company was given 115 points. Paulig aims to achieve 650 points in the next few years, which would make it one of the most competitive companies in the



**Company Nurse Ulla-Maija Pessa and Warehouse Team Leader Kalle Saarimaa reflect on group work for the "Quality of Personnel Management" project.**

European food industry. The scale is based on the criteria used for the Finnish Quality Award.

### Measuring job satisfaction

Employee levels of job satisfaction are measured annually. 57% of Paulig staff contributed to the so-called GUSBI survey. The results of the spring 2004 survey represented a good average and there were no major differences compared to the previous year. The survey was conducted by Gallup Insight.

Areas such as encouragement and support from supervisors as well as help and support from colleagues scored more highly than in the previous survey. Awareness of company and process targets and feedback on their implementation were also rated highly. The work was felt to provide opportunities to act independently and to learn new things. It was also felt that there had been positive achievements in terms of staff welfare and support for training and development.

On the other hand, ratings for the working atmosphere and for openness of interpersonal relationships fell slightly. The employees felt that there were fewer opportunities to make independent decisions in their work and that communication between processes had again worsened, even though this had been identified as an area for improvement in the previous year.

The feedback from blue-collar workers was more critical than that from white-collar workers. Efforts to make further improvements are broadly focused on the same areas as in the last period. The main priority is to improve communication between departments and processes and to reinforce cooperation. Another area for improvement involves reducing work-related pressure by gauging staffing levels more accurately and organising work more effectively.

### Goal-oriented development

Skills development at Paulig is based on the company's strategies and on the core competences defined in those strategies. Personal development objectives are set on the basis of company and process targets in annual development discussions for all members of staff. A personal development plan is drawn up following the appraisal and a development contract is signed. The objectives are then discussed twice a year.

A concerted effort was made in the area of development during the review period, and this included the use of tailored training programmes. In addition to internal training courses, some employees participated in programmes organised by both Finnish and international universities, colleges and training centres. Paulig is also involved in the company-specific Corporate MBA programme run by the Corporate Competence Academy.



The Café Santos training programme, which was launched in January 2003 and which covers the whole of the production chain, will end in autumn 2004. Almost all our staff, including a number of Paulig Group staff from Estonia, Ukraine and Russia, attended the training. Training Expert Marke Haapasaari (left) provides training in coffee beverages to Sales Representative Mika Erholtz, Purchasing Assistant Heli Zavros, Sales Representative Pasi Raito and Market Research Manager Päivi Suomalainen.

Alongside education and training, development activities also include skills assessments, career planning, task rotation and project work.

### Wide range of training opportunities

During the review period ended April 2004, white-collar workers received an average of 80 hours of training and blue-collar workers 40 hours. The figures do not include learning on-the-job or any private study undertaken outside of work.

Negotiating skills training for white-collar workers, which focused on interactive skills and on understanding diversity, was attended by 50 people. IT training was given in the form of group sessions and one-to-one guidance. Individual training needs were assessed using the personal Trim mapping system. Language training was also provided to groups and individuals.

Retail operations training, which aims to bolster customer cooperation, was organised in conjunction with the K-Instituutti. The courses were attended by over 30 Paulig employees from all levels of the organisation.

Extensive quality and environment training was provided during the review period. Training in EFSIS and ISO 14001 standards was organised for staff of our partners at the Vuosaari roasting plant, who are responsible for production, purchasing and logistics as well as cleaning, storage and waste management services. Training in sorting was conducted for both production and office staff in summer 2003. The Hazard Analysis of Critical Control Points (HACCP) team also underwent training, which involved a review of HACCP as a whole.

Courses are continuing in 2004 and are being extended to include environment guide training and also hazardous waste training for electricians and staff in maintenance and building services.

The Café Santos training programme, which had already begun during the previous period, will end in autumn 2004. The training covered the whole of the coffee production chain and was attended by almost all the Vuosaari staff and also partly by Paulig Group staff from Estonia, Ukraine and Russia.

The aim is to make the training part of the induction programme for new members of the Paulig team.

A development programme for production staff, the so-called mentor scheme, will commence in October 2004 and will be run jointly with the AEL (Centre for Technical Training). The programme aims to ensure a high-level of expertise in roasting both now and in the future.

### Target overall well-being

The aim of occupational healthcare at Gustav Paulig Ltd is to ensure the overall well-being of our staff. We employ a full-time company nurse and a part-time doctor.

In the financial year ended April 2004, absences through sickness stood at 6.8 working days per employee. The equivalent figure for the previous financial year was 7.2 days.

Thorough medical examinations are organised for staff every five years. These include the employees' own assessment of how they would cope with their work assuming they stayed in the same job until retirement. Paulig employees over the age of 50 are entitled to an examination every three years.

As part of our preventive healthcare, employees have the opportunity to participate in personal early treatment programmes and keep-fit clubs, for example. A masseur has been visiting our premises once a week since January 2004. Employees were also given a lecture on welfare at work during the review period.

A survey of computer work stations was conducted in late 2003. An occupational physiotherapist provided advice on correct positions to work in, the risks of repetitive work and the correct frequency for breaks.

We strive to pay attention to the ageing of our employees by providing for flexibility in duties, for example. Workload is assessed on a case-by-case basis in keeping with the requirements of occupational healthcare legislation.

Future occupational healthcare activities will place greater emphasis on atmosphere in the workplace and on promoting mental well-being.

### From physical safety to mental well-being

We currently have a positive occupational health and safety record. Extensive automation has reduced the amount of high-risk repetitive work, and there is almost no incidence of either work-related stress disorders or occupational diseases. Future occupational protection activities will focus on the mental aspects of occupational protection and on helping employees to cope at work.

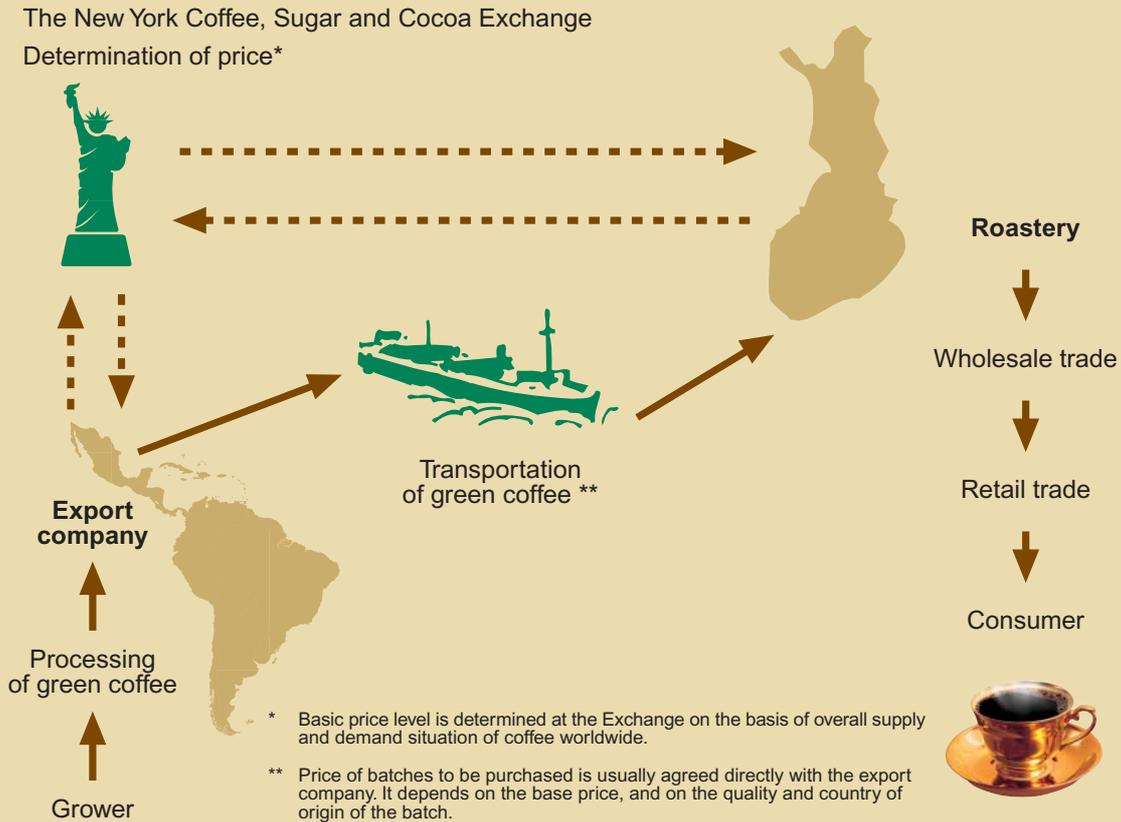
Occupational accidents led to 0.4 days of absence per employee in the last period. The figure stood at 0.3 days in the previous period.

Occupational protection and safety issues are coordinated by an occupational protection committee, which meets at least four times a year and draws up action plans and programmes for occupational protection.

The committee is comprised of an occupational protection manager appointed by the company, representatives elected by the blue-collar and white-collar workers, the company nurse and doctor, and two external experts appointed by the company.

The departments have occupational protection officers elected by both the blue-collar and white-collar workers. The network of officers ensures that occupational protection matters can be dealt with swiftly. Each department also carries out annual occupational protection inspections.

## The coffee's route from country of origin to shop shelf



**1.** Paulig buys the majority of its green coffee directly from coffee-producing countries, such as Brazil, Colombia and Kenya. Long-term contracts are entered into with coffee exporters in the countries of origin and European coffee importers. Paulig's coffee purchases are guided by ethical procurement principles.

**2.** The coffee buyer at Paulig is responsible for coffee trading: the buyer maintains contacts with coffee producers and closely monitors crop forecasts and their impact on prices on the CSCE – The Coffee, Sugar & Cocoa Exchange.

**3.** Before a decision to buy is made, all batches of green coffee are evaluated in the Paulig coffee laboratory on the basis of samples sent in by sellers. Nearly all the coffee bought by Paulig is high-quality Arabica coffee.

**4.** Only after approval has been given can the coffee be loaded onto the ship and the four-week journey to Finland begins. This ensures that only coffees of the desired quality arrive at the roasting plant. Before the coffee reaches the consumer's cup, it is checked at least ten times, not only at the purchase stage but also as part of raw materials storage, roasting, grinding, packaging and finished product storage.

**5.** The coffee is often roasted on the day of arrival and is on the shelf in the shop within a few days.

New machinery and equipment are subjected to safety inspections as required by law. Departments also carry out machine-specific commissioning inspections before approving a new piece of machinery or equipment.

In accordance with the statutory rescue plan which was updated early in 2004, employees have been provided with induction and training in preventing emergency situations and have also received instruction on how to deal with such emergencies. An updated copy of the safety guide has been circulated to all staff on the Vuosaari premises.

The hazard analysis for natural gas was updated and the relevant safety instructions revised during the current period.

### Responsibility in the coffee procurement chain

Green coffee is one of the most important commodities in world trade. Approximately 122 million 60-kilo bags of coffee were produced around the world in 2002-2003. The leading coffee-producing countries are Brazil, Columbia and Vietnam, with Brazil alone producing around one third of the world's green coffee.

In the financial year ended April 2004, Gustav Paulig Ltd purchased approximately 53 500 tonnes of green coffee from mainly Brazil, Colombia, Nicaragua, Guatemala, Kenya and Ethiopia.

Paulig purchases its green coffee from export companies in the coffee-producing countries or from European coffee trading houses. Cooperation with green coffee suppliers has been intensified, with more long-term agreements being entered into with them. Paulig buyers make regular visits to coffee-producing countries and coffee farms to meet local partners and to ensure that they have the latest information on the conditions in which coffee is being produced.

Paulig coffees can today be traced back as far as the export houses in the countries of origin. There is a 100% traceability rate for organic and decaffeinated coffee. An ongoing traceability project aims to further improve the traceability of raw materials in our processes.

### Procurement principles

Coffee production methods are included in the definition of quality for purchases of green coffee. The basic requirements include ensuring that the means of production place the least possible strain on the environment and that the working conditions are safe and responsibly maintained.

An important element of Paulig's responsibility is to require that the activities of export companies and import companies comply with procurement principles. These include requirements concerning such areas as working conditions, wage levels and length of a working day. The principles have been defined according to the International Labour Organisation (ILO) and the United Nations (UN) requirements and take into account conditions in the relevant country and local legislation.

Paulig circulated its principles of procurement together with a questionnaire to its import and export partners in January 2003. The list of approved partners is revised annually. All new suppliers are asked to account for the quality of their operations. Cooperation is suspended with a partner who is shown to have violated the principles.

### Child labour

Paulig can influence the use of child labour indirectly by requiring that its partners comply with its ethical procurement principles, which are in line with ILO recommendations. The company does not accept the abuse of child labour or any form of forced labour.



**Paulig pays considerably higher than the world market price for the green coffee used to produce Guatemala country of origin coffee, which has been farmed according to the principles of sustainable development. The green coffee is purchased from the ICP project area.**

Paulig is one of the founding members of International Coffee Partners ([www.coffee-partners.org](http://www.coffee-partners.org)), whose projects in coffee-producing countries also directly benefit the children of coffee farmers. For further information, please consult: <http://www.ilo.org/public/english/standards/ipecc/themes/domestic/index.htm>

### World market price for green coffee

The impact of trade in coffee on the global economy and on the development of society is significant as it provides over 100 million people in 60 countries with a living. More than 50% of export revenues in coffee-producing countries come from coffee. The majority of coffee produced in the world is consumed outside the coffee-producing countries.

The supply of coffee has significantly outstripped demand in recent years, which has also impacted on the price level. The lowest price level was recorded in October 2001. By May 2004 the price had almost doubled. The increase in price is a positive development also from Paulig's perspective, as having a sufficient income level helps farmers to take care of their crops and to improve the quality of what they produce.

The cost of producing coffee varies enormously from country to country. For example, in the world's biggest coffee-producing countries, Vietnam and Brazil, production costs are considerably below the current world

market price. On the other hand, coffee farming in Costa Rica and Kenya is still not profitable, for example.

Paulig has received enquiries about Fair Trade coffee but has not launched a product of its own with the Fair Trade label. Fair Trade coffee's market share in Finland is a couple of per mille and there are a number of alternative products on the market.

### **Direct support for coffee-producing countries**

Paulig promotes the welfare of coffee farmers and sustainable development through International Coffee Partners (ICP), founded in 2001. ICP plans and launches long-term, joint private and public sector projects directly in coffee-producing countries. Paulig's contribution comes in the form of financing and providing expert assistance. International coffee organisations provide another forum for exercising influence.

ICP is a non-profit organisation whose mission is to carry out projects based on the principles of sustainable development in coffee-producing countries. The projects seek constantly to improve the living conditions of coffee farmers and their families and to develop sustainable techniques for coffee cultivation and processing. The projects are based on public-private partnerships and last for two to three years. ICP launches two or three projects every year.

A project launched in Honduras in autumn 2001 will end in autumn 2004. Over half of the farmers who participated in the project received the Rainforest Alliance certificate ([www.rainforest-alliance.org](http://www.rainforest-alliance.org)) in May 2004. The certificate is awarded for successfully combining productive farming and environmental protection, while taking into account the interests of workers and local communities.

A project in Guatemala launched at the same time has been extended by a year in order to consolidate its results. Projects begun in the Dominican Republic and Cameroon in December 2002 are ongoing, while the pilot stages of new projects in Uganda and Peru were initiated in early 2004.

During the review period, Paulig donated a total of 122 210 euros to ICP cooperation. The Dominican Republic's share of this was 53 870 euros and Cameroon received 54 288 euros, while the projects drawing to a close in Honduras and Guatemala received 4 865 and 9 187 euros respectively.

## CASE STUDY: Achievements in the Dominican Republic and Cameroon

The export company Agroindustrial La Esperanza, which is owned by an organisation of local farmers, was founded in the Los Cacaos project area of the Dominican Republic in May 2004.

The new farms and transport fleet have enabled trade in coffee to develop. They are also a practical example of how sustainable development has been successfully promoted in an area suffering from a dwindling population, and of how farmers themselves can take part in processes which generate added value and in the marketing in their own products.

The staff and managing director of the export company have been recruited and training is now underway. The company's primary aim is to ensure better channelling of coffee flows from producers to processing and to the export market. The export company can also be used to supply local markets with fruit, which is a good example of how production trends are diversifying.

The project was launched in December 2002 and will run until November 2005. Approximately 600 families of coffee farmers are expected to benefit directly from this project. ICP funded the project to the tune of 43% of the total costs of 941 200 euros. The contribution made by Paulig and its associated company Kjeldsberg totalled 81 000 euros.

**Coffee drying on the production site of ICP partner ASOCAES in Los Cacaos in the Dominican Republic.**



The work of the North-West Cooperative Association (NWCA), which covers 30 000 small-scale coffee farmers, has been consolidated in a variety of ways in Cameroon.

Although NWCA is responsible for the procurement, processing and marketing of green coffee, it has not been able to fulfil its role because of shortcomings which came to light in production, processing, marketing and management systems.

The organisation has been offered expert assistance in matters such as business management and service provision. Reorganisation and business development activities are still in progress. The idea is to develop structures so that this organisation of farmers can function efficiently and economically.

This project was started in December 2002 and will come to an end in November 2005. As many as 30 000 coffee farmers are estimated to be benefiting from the project. ICP has made a 53% contribution to the total project costs of 780 000 euros. Paulig and its associated company Kjeldsberg have provided funding to the tune of 82 000 euros.

**A training session on the use of experimental plantations in Cameroon.**



## OTHER AREAS OF SOCIAL RESPONSIBILITY

### Responsibility for the surrounding area

The Paulig plant in Vuosaari is the largest employer in the area, and a substantial proportion of the company's employees live in eastern districts of Helsinki. Paulig has been involved in developing Vuosaari and has also invested in the area. The company has for many years worked in cooperation with residents and their associations in areas such as planning and development, and this has included organising meetings to discuss issues of concern.

Residents have been invited to visit the plant and learn about its activities, and they are provided with information about its environmental effects. Feedback from the local area is an important way of monitoring those environmental effects.

Paulig continues to maintain regular contacts and open communication with local residents, and the target group for such activities is extended as new residential accommodation is completed and new people move in. In June 2004 representatives of local housing associations and housing managers were invited to discuss the activities of the roasting plant and issues relating to the future.

Paulig has been sponsoring the local Kallahti School in Vuosaari for a number of years. Schoolchildren vis-

**Packaging Machine Operator Katja Hepoaho puts on her teacher's hat to tell pupils at Kallahti School about her work and how coffee is produced.**



it the company each year to find out about working life and the activities of the roasting plant, and company employees give classes at the school.

### Roasting plant to move to harbour

Paulig plan to build a new roastery in the industrial district being developed in Vuosaari harbour. The City Council of Helsinki approved a preliminary agreement between Gustav Paulig Ltd and the City of Helsinki for the sale of real estate on 1 September 2004. A final decision on the construction of a new roasting plant can only be made when the plans for the use of the land have been legally approved and if the harbour development work proceeds according to timetable, in other words in 2006 at the earliest. Once the first phase of harbour development has been completed, work on the construction of the roasting plant could begin in 2008.

### Support for charitable causes

Gustav Paulig Ltd provides financial support to projects which are in line with company values and related to its line of business. During the review period, most support was provided to the Domcafé mission café, the Walkers youth cafés and the Santa Claus Foundation.

Paulig donates to the Domcafé mission café, which is run by the congregation of Turku cathedral, as much Ethiopia country of origin coffee as it needs. The proceeds from the café are used to support the work of a nursing school built in Aira in Ethiopia as an aid project by the Archdiocese of Turku and the Finnish Evangelical Lutheran Mission. The nursing school serves both as a hospital and a student hall of residence. Domcafé donated 10 624 euros to Ethiopia in 2003.

Paulig donates around 800 kilos of coffee each year to the Walkers youth café chain. The cafés do valuable youth work and are staffed by volunteers. There are 24 such cafés around Finland. Walkers café volunteers take part in coffee training provided by Paulig. For further information in Finnish, please consult: [www.asemanlapset.fi](http://www.asemanlapset.fi)

Paulig produces the Santa Claus coffee for the official Santa Claus product family. The company has chosen this way to support the work of the Santa Claus Foundation. Each year the foundation devotes a considerable sum of money – a gift from Santa – to children facing hardship around the world. In 2003 the companies involved in the work of the foundation contributed 20 000 euros, of which 5 717 euros were donated by



The Paulig Institute's coffee and food courses are attended by 3 000 participants each year. Barista trainer Ville Karkiainen teaches the course participants about speciality coffee production.

Paulig. The donations from 2004 will be added to this and the total sum will be given to the association Children of the Station in spring 2005. For further information, please consult: [www.santaclausplaza.com](http://www.santaclausplaza.com)

Paulig has supported the Finnish War Veterans Foundation for a number of years and has provided coffee for the events for the homeless organised by Veikko Hursti. During the review period, support was also given to the Arena theatre (until July 2003) and to the Umo jazz orchestra.

In spring 2003 the Frezza brand was involved in a summer charity event, the proceeds of which went to the Ronald McDonald's home for sick children and their parents. Frezza's contribution to the sum raised was 2000 euros.

The Epok exhibition and archive, which chronicle the history of the coffee sector and roasting, are being run on the Vuosaari premises. The exhibition has been designed primarily for Paulig's customers and partners.

### Dialogue with stakeholders and consumer protection

The most important channels that Paulig has for dialogue with its consumers are our consumer service, the internet and market research.

Our consumer service receives approximately 6 000 enquiries each year. Our experts reply to questions personally on weekdays by telephone, post or email. The consumer service also assists organisations and the media, organises briefings and publishes web pages, books, brochures and guides.

Paulig's Paula has served as an important point of contact with consumers and other stakeholders since 1950. In addition to providing information about products, she is also the mouthpiece of coffee culture.

A great deal of information is also available on product packaging, such as storage instructions, details of how to dispose of the packaging and the contact details of Paulig's consumer service. The company's

website at [www.paulig.fi](http://www.paulig.fi) is there to serve consumers and professionals alike.

Paulig has built up long-standing customer relations and maintains regular, personal contact with its customers. The company participates as far as possible in fairs, briefings and other events organised by its customers. Market research of various kinds is used to measure customer satisfaction.

The Paulig Institute is a training centre designed for professionals in the catering sector. Its training sessions are attended by approximately 3 000 people every year.

Regular contact is maintained with the media and the authorities. Meetings with the authorities often take place in connection with statutory supervision or when new legislation is being drafted. When it comes

to new legislation, contact is usually maintained via the Finnish Coffee Roasters' Association.

Paulig is participating in the three-year Positively Coffee programme, which was launched by the Finnish Coffee Roasters' Association in spring 2004. The purpose of the programme is to supply healthcare professionals with scientifically researched information on the relationship between coffee and health. Six European countries are involved in the project.

The programme aims to improve the level of knowledge of this subject among healthcare professionals and thus also to increase citizens' awareness of the links between coffee and health. Using the internet, information sheets and participation in events in the health sector, the programme will disseminate new information and dispel misunderstandings.

## CASE STUDY: New research data on the health effects of coffee

In spring 2004 a group of researchers led by Professor Jaakko Tuomilehto concluded that coffee is likely to reduce the risk of developing type 2 or adult onset diabetes.

- Coffee is a plant product, so it may be assumed to contain substances which are beneficial to health. Research into vitamins has shown that it is the combination of elements contained within plants that promote health, rather than individual vitamin supplements. In the same way, the combined effect of coffee ingredients acting together may explain why coffee would have a preventive effect on diabetes, Tuomilehto clarifies.

The findings of the research indicate that drinking coffee significantly reduces the statistical risk of developing adult onset diabetes. For example, the relative risk of developing diabetes in Finnish women drinking 5-9 cups of coffee a day was 61 per cent lower than for those who do not drink coffee. The research monitored 14 629 men and women over twelve years.

- The result is no surprise in itself as other research had provided indications that coffee had a positive impact on reducing the risk of diabetes. However, what did surprise us was the extent of the impact and the correlation between the amount consumed and the impact, Tuomilehto comments.

Tuomilehto also says that caffeine would seem to have a positive effect on blood sugar levels after eating, partly because it increases the amount of insulin secreted by the pancreas, which in turn helps to remove sugar in the form of glucose from the bloodstream. Furthermore, the chlorogenic acid contained in coffee has a beneficial effect in terms of breaking down glucose. Finishing off a meal with a coffee would thus seem to be a logical and sensible thing to do.

For further information, please consult:  
[www.positivelycoffee.org](http://www.positivelycoffee.org)

**Coffee contains numerous ingredients which are beneficial to health.**



## OTHER AREAS OF RESPONSIBILITY



All coffees delivered to Paulig are put through a sensory evaluation in the coffee laboratory. The coffees are evaluated at least ten times before they reach the consumer's cup. The team of tasters includes (from left to right) Quality Controller Eija Peltokorpi, Purchasing Director Jouko Pihkanen, Head of Cupping Team Marja Touri and Quality Manager Katariina Aho.

### Product safety and quality management

A Global Reporting Initiative recommendation places social responsibility alongside economic and environmental responsibility as an element of essential product safety for companies in the food sector. Product safety strategy at Gustav Paulig Ltd is based on the international EFSIS standard, which is widely used in the food industry.

All players in the production chain have a responsibility for ensuring product safety. Regular audits are used to guarantee compliance of operations with the standard. No critical or serious deviations from the standard were identified when we were audited by an external audit company in spring 2004. The compa-

ny's higher level EFSIS certificate is valid until spring 2005. Paulig has a group of trained assessors who are regularly used to carry out internal quality and environmental audits.

During the review period, one of Paulig's customers Kesko Food Ltd carried out its own supplier audit at the production site at Vuosaari. Paulig was awarded the highest rating in the audit. Paulig's operations have also been certified for exports to Russia (SGS Inspection Services).

Hazard Analysis and Critical Control Points (HACCP) analysis has been used to identify factors affecting the safety of the Paulig production chain. This enables the



**An electronic management system for documents has made quality management more dynamic. Project Manager Marja Laitanen and Quality Manager Katariina Aho were responsible for the new system.**

company to focus its self-assessment activities on the most critical control points and on preventive actions. The company's self-assessment plan is reviewed annually and updated as required. Product traceability and withdrawal procedures are tested out each year.

The critical points of our production premises were re-defined following the transfer of Viking Coffee's production to Vuosaari in autumn 2003.

Self-assessment has a key role to play in ensuring product safety and quality before the product reaches the consumer. During the review period, emphasis was placed both in quality training in production (see page 23 HACCP) and in day-to-day work on how important it is for individuals to take responsibility for quality. We aim to shift the main focus of self-assessment from the coffee laboratory to production points.

Each product has its own specifications - a product definition – which set out data relating to the manufacture of the product and all other data required by

law. The role of quality assurance is to guarantee that products comply with their specifications.

Quality Review, a summary report on quality matters, provides management with monthly information on green coffee quality, consumer feedback, results of competitors cupping, quality expenditure, returned coffee, HACCP monitoring, supplier complaints, audit results and any other topical quality and environmental issues.

Our consumer service also plays a key role in quality assurance. Comments received by the consumer service are traced back to the relevant processes, and procedures are modified as required. Feedback on coffee quality is passed on immediately to the coffee laboratory and/or to production for further action.

19 product complaints were received per million kilos of coffee during the review period. 22 consumer complaints were received per million kilos of coffee in the previous year. Consumer complaints receive a personal reply.

**Grinder Mikko Sinisalo takes a sample of freshly ground coffee for quality control purposes. Self-assessment has a key role to play in achieving product safety.**



## COFFEE PRODUCTION PERMITS AND COMMITMENTS

- EFSIS standard: A standard guaranteeing product safety and quality. The EFSIS standard meets the British Retail Consortium (BRC) technical standard requirements, which apply to companies supplying foodstuffs to the retail sector. Further information available at [www.efsis.com](http://www.efsis.com)
- European Contract for Coffee (ECC): All Paulig's green coffee purchase agreements conform to ECC regulations. Further information available at [www.ecf-coffee.org](http://www.ecf-coffee.org)
- Surveillance of organic products: The entire supply chain for organic products is covered by an official surveillance system. Further information available at [www.elintarvikevirasto.fi](http://www.elintarvikevirasto.fi)
- Rescue plan: Created in 2000 and updated in 2002 and 2004, the plan familiarises employees at the production plant with fire control and accident prevention.
- Self-assessment plan: The Environment Centre of the City of Helsinki issued a decision on self-assessment at Gustav Paulig Ltd in November 1996. The self-assessment is based on HACCP (Hazard Analysis of Critical Control Points). Further information available at [www.elintarvikevirasto.fi](http://www.elintarvikevirasto.fi)
- Certificate of Conformity: Our products comply with the requirements of the GOST R standard (Gostandard of Russia), which is imposed on exports to Russia. Further information available at [www.kttk.fi](http://www.kttk.fi)
- Environmental auditing: ISO 14001 standard audits were conducted in April-May 2004. The certificate was awarded on 11 June 2004.
- Environmental permit: Paulig has held an environment permit issued by the environment committee of The City Council of Helsinki since 1996. An application for a new permit in line with the latest environmental legislation was lodged with the City of Helsinki on 30 April 2004.

## Involvement in business and sector development

### Finnish cooperation

- ECR Finland: The purpose of ECR Finland is to promote cooperation between trade and industry, especially in category management and logistics. Further information available at [www.ecr-finland.com](http://www.ecr-finland.com)
- The Finnish Food and Drink Industries' Federation (FFDIF): The federation promotes the interests of Finland's food and drink companies in business and labour market policy. It also functions as a forum for cooperation between members in the relations with the authorities, retailers, producers and other stakeholders. Further information available at: [www.etl.fi](http://www.etl.fi)
- Finnish Business & Society: The network seeks to reinforce cooperation between the private and public sectors in order to promote sustainable social and economic development. Further information available at [www.businessandsociety.net](http://www.businessandsociety.net)
- The Association of Finnish Advertisers: The association promotes the interests of advertising purchasers in Finland, provides its members with advice on marketing communications issues, and publishes research. Further information available at [www.mainostajat.fi](http://www.mainostajat.fi)
- The Finnish Coffee Roasters' Association: The association strives to improve the conditions in which its member companies operate. It pools the resources of its members to achieve greater impact, to work proactively, and to condense the wealth of information available to members. The association also helps members to achieve cost-efficiency through the provision of joint services, either on its own or in collaboration with the European Coffee Association (EUCA). The Finnish Coffee Roasters' Association belongs to the FFDIF and is also a member of the EUCA.
- The Environmental Register of Packaging PYR Ltd: Finnish legislation requires that companies take responsibility for the reuse of packaging they bring onto the market. By entering into a contract with PYR, companies transfer their recovery obligation

to the PYR producer organisations. Having concluded such a contract, Paulig is entitled to use the PYR trademark. Further information available at [www.pyr.fi](http://www.pyr.fi)

- The Specialty Coffee Association of Finland (SEKO): A nationwide association for professionals in the field of speciality coffees, which seeks to maintain quality among speciality coffees and to enhance awareness of coffee, as well as to promote Finland's coffee culture. Further information available at [www.seko-ry.com](http://www.seko-ry.com)
- The Finnish Packaging Association: The association coordinates communications, public relations, publishing and training for the packaging sector. Further information available at [www.pakkaus.com](http://www.pakkaus.com)
- Finnish Plastics Recycling Ltd: This is an organisation for plastics producers. Further information available at [www.suomenuusiomuovi.fi](http://www.suomenuusiomuovi.fi)
- The Santa Claus Foundation: The foundation's mission is to promote Finland's image as the home of Santa Claus, and to create ways for companies and associations to benefit from this image. Profits from the foundation's activities are donated to charity. Paulig's Santa Claus coffee is the foundation's official coffee. Further information available at [www.santaclausplaza.com](http://www.santaclausplaza.com)
- The Coffee Science Information Centre (CoSIC): Based in the UK, CoSIC is a coffee industry information centre that monitors global scientific research into the health effects of coffee, which it then uses to produce reports for use by experts and consumers. Further information available at [www.cosic.org](http://www.cosic.org)
- Physiological Effects of Coffee (PEC): A sub-organisation of ISIC which monitors and finances scientific research into the health effects of coffee.
- The Specialty Coffee Association of America (SCAA): An association focusing on quality coffees, whose members include organisations such as coffee houses, roasting plants, growers, coffee exporters and importers. Further information available at [www.scaa.org](http://www.scaa.org)

### International cooperation

- International Coffee Partners GmbH (ICP): A joint non-profit enterprise established in 2001 by five family-owned European companies operating in the coffee sector. ICP's mission is to promote sustainable development in coffee-producing countries by implementing projects which benefit the environment and families of coffee growers. Further information available at [www.coffee-partners.org](http://www.coffee-partners.org)
- The European Coffee Association (EUCA): The umbrella organisation for associations of European coffee roasters, whose interests it defends at EU level. Further information available at [www.kahvi.net/paahitimoyhdistys](http://www.kahvi.net/paahitimoyhdistys)
- The Institute for Scientific Information on Coffee (ISIC): Established by Europe's largest coffee companies, ISIC works in cooperation with the International Coffee Organisation (ICO). ISIC is an umbrella organisation for CoSIC and PEC.



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