Corporate Responsibility at Fazer Group
Welcome to Fazer’s corporate responsibility review

Fazer’s corporate responsibility review 2014 has been prepared for all of our stakeholders who are interested in the business of Fazer Group, the drivers behind our development, and our ongoing work to build our operations sustainably.

In this publication, we describe how we fulfill our economic, environmental and social commitments while building value for our shareholders, employees, customers, consumers and other stakeholders.

The information in this report is organised according to the five sub-areas of our Corporate Responsibility Programme:

- Running business
- For health and well-being
- People matter
- Fair value chain
- Part of the environment

Read more online
fazergroup.com/responsibility
Dear stakeholder,

Fazer has a long history, and a key feature of it is our commitment to responsibility. Corporate responsibility is a fundamental element of our culture and brand and plays an essential part in our business strategy. At Fazer, we take responsibility into consideration in all our activities. We have built our business in a responsible manner since 1891 and intend to do so into the future.

Each of our business areas and business units is different, and thus, so is our corporate responsibility work in each of them. For this reason, it is essential that we understand how all of our activities affect the world around us, try to lessen our negative impacts, and maintain and develop the positive ones.

Group President's review
Quality excellence is one of our core values, and it inspires us to always reach higher in everything we do. We achieved great progress in developing our corporate responsibility during the past year, carrying out a stakeholder study involving participants from all of our eight home markets. The study supported our work in updating our Group corporate responsibility vision, strategy and programme and integrating these more strongly with our business strategy.

One cornerstone of our business strategy is leading brands, and we recognise that stakeholders have high expectations on Fazer. In addition to playing a key role in shaping our reputation and building the value of our brands, corporate responsibility opens up opportunities for us as we develop our businesses. At the same time, the environmental, social and economic challenges we are facing worldwide affect us all and raise far-reaching concerns about our future. As a corporate citizen, it is vital that we understand and take responsibility for our role as an active party in global development.

**Strategic approach to corporate responsibility**

Our business relies on natural resources. Thus, we work actively to reduce our impacts on the environment and use raw materials, water and energy as efficiently as possible. Our success also depends on the work of our competent and committed people, and we strongly believe in treating everyone we work with equally and with respect. For this reason, we have placed our People Matter programme at the core of our corporate responsibility strategy throughout our value chain. We aim to continue bringing prosperity to our shareholders and society by developing our business sustainably, and aspire to deliver products and services that bring balance and well-being to everyone who enjoys them.

All of these goals support our strategic targets. By prioritising them, we achieve the conditions that will make expansion and development possible, and ensure the continuity of our business. By strengthening the integration of our corporate responsibility strategy and targets with our business strategy, we can achieve our desired results and build our business successfully on long term.

I would like to thank you, our stakeholders, for your support. Your feedback aids us in steering our activities wisely, and enables us to address the matters that are essential to you. Therefore, it is important that we maintain our open and constructive dialogue. I look forward to continuing Fazer’s journey together with you.

**Christoph Vitzthum**
President & CEO
Fazer Group
Corporate responsibility is an inseparable part of Fazer’s operations and identity. Rather than treating responsibility as a separate area of expertise, Fazer seeks to conduct all of its daily business activities in a responsible manner.

**Responsible taste sensations**

For health and well-being
Choices based on knowledge and personal preferences bring balance and well-being. Enjoy Fazer your way.

**Running business**
We bring prosperity to the company and society.

**Part of the environment**
We rely on the resources nature gives us. We use them responsibly.

**Fair value chain**
We operate responsibly and create fair business opportunities throughout the chain we are part of.

**Responsibility vision**
FAZER FOR RESPONSIBLE TASTE SENSATIONS

**People matter**
People make Fazer happen. Fair play with everybody working with us.

**Responsible offering for Fazer** consists of people’s everyday well-being, sustainable use of the planet’s resources and the shared value a company creates in society. Fazer contributes by making responsible bakery, confectionery and food choices easy.
As a family-owned company, Fazer Group puts a strong focus on long-term development. From Fazer’s perspective, responsible business and growth ensure the company’s continued operations and success over the long term. Fazer views corporate responsibility as an important opportunity as it continues to grow as a valued international company.

Fazer’s corporate responsibility strategy is strongly linked to its business strategy. It looks forward and sets ambitions concerning the value of Fazer and its operations. Five strategic areas form the structure of Fazer’s corporate responsibility programme, covering all of the Group’s activities. The detailed goals and objectives for each area are set and performance reviewed on a regular basis.

The Group’s corporate responsibility programme takes emerging megatrends and external drivers that influence Fazer’s international operating environment into account. For example, well-being, health and the origin of food are relevant topics from a responsibility point of view. Consumers are increasingly concerned about where raw materials and ingredients come from and how food is produced, which necessitates better traceability.
and greater transparency in companies’ operations and value chains. At the same time, a rising consciousness
regarding health and well-being means that consumers are becoming more selective.

Fazer responds to the changing environment and the evolving demands of consumers by working to
make responsible food choices easy. For Fazer, a responsible offering is one that takes into account people’s
everyday well-being, the sustainable use of the earth’s resources, and the creation of shared value in society.
Our aim is to create responsible taste sensations. By maintaining and widening consumers’ trust in the
company and its products and services, Fazer secures its continued existence and growth.

Furthermore, Fazer’s businesses are affected by climate and environmental concerns, as well as the scarcity
of resources. Fazer Group is committed to minimising the negative environmental impact of its operations.

Ultimately, Fazer’s present and future success depends on competent and committed people. Therefore,
people are in the core of Fazer’s corporate responsibility strategy concerning the entire value chain.

Building trust with stakeholders
In addition to constantly evaluating the trends and factors within the operating environment that are
relevant to its business, Fazer actively engages in dialogue with stakeholders in order to understand
their expectations and develop long-term partnerships with them.

Demonstrating the value it gives to the views of its stakeholders, Fazer conducted a stakeholder survey in
2014. According to the survey’s respondents, the three most important responsibility areas for the company
relate to food safety and quality, the treatment of employees, responsible sourcing and the tracking of the
origin of raw materials. In their view, the biggest opportunities for Fazer relate to being a front runner with
regard to health issues and in the tracking of raw materials.
Fazer's Corporate Responsibility Programme

Five strategic areas that interrelate with one another form the basis of Fazer's CR Programme, which outlines themes and topics for concrete actions.
Running business

We bring prosperity to the company and society.
A profitable Fazer builds shared value

A profitable business enables Fazer to conduct its operations in a responsible manner and with a view towards long-term development. Financial stability also ensures Fazer's ability to promote prosperity not only for the company, but also among the societies where it operates.

For Fazer, conducting business responsibly means maintaining the Group’s stable and solid financial performance, securing and increasing the value of Fazer’s brands, and acting in accordance with ethical principles.

Developing Fazer’s operations and securing profitable growth within the changing environment are core elements of our strategy. Positive economic performance enables Fazer to develop other areas of its corporate responsibility. By maintaining a healthy balance sheet, we also preserve our capability to take advantage of opportunities to develop our business and build value. Nevertheless, the Group’s focus is always on the continuity and sustainable long-term development of our operations. Financial responsibility is instrumental to this approach.

Profitable business and growth

Creating and fostering prosperity in the areas where we operate is a key objective for Fazer. In addition to benefitting our shareholders and personnel, the profitability of the company also creates value for our customers, consumers, suppliers and subcontractors, as well as society as a whole.

In 2014, uncertainty in the macroeconomic situation continued in the markets where we operate. During the year, Fazer Group paid 560 million euros in salaries, wages, and other indirect employee costs. The Group also purchased 926 million euros worth of goods and services from 8,750 suppliers during the year.
Although Fazer is a family-owned company we elected to disclose our tax footprint, starting in 2013. In total, Fazer paid 44 million in taxes in 2014.

**Developments to reporting and ethical principles**

We continue to examine ways to increase the transparency of our reporting and provide adequate information to Fazer’s different stakeholders. Improving our tax reporting as well as developing our processes in collecting data related to corporate responsibility will be important focuses in 2015 and in upcoming years. We work continuously to be regarded as a trusted business partner. As part of this effort, we updated Fazer’s ethical principles in 2014, introducing two new areas to further emphasise openness and correctness in our communication about Fazer and its activities.

**Increasing the value of the Fazer brand**

Fazer prides itself in its strong reputation, and believes that responsible operations are vital for developing the value of the Fazer brand and for building trust among stakeholders. For many years, the Group has monitored its reputation in Finland using the RepTrak® model. The Group also began tracking its performance in Sweden and St Petersburg, Russia in 2013.

The most recent results from RepTrak show that the Group exceeded its targets in 2014.

Fazer recognises the value of its strong brand as a key competitive advantage and seeks to increase it further. The Group continues to focus on developing its understanding of its reputation and brand value, as Ulrika Romantschuk, SVP, Communications & Branding explains: “Consumers’ respect and trust can’t be taken for granted. Trust and a good reputation need to be earned through everyday actions.”
For health & well-being

Choices based on knowledge and personal preferences bring balance and well-being. Enjoy Fazer your way.
Balanced choices bring well-being

When Fazer Group renewed its Corporate Responsibility Programme in 2014, Health & Well-being was included as a key focus area. Fazer aims to promote balance and all aspects of well-being related to food.

At Fazer, we believe that food promotes well-being in many ways. We also understand that individuals look for various means to fulfil their needs at different times. Depending on the occasion, they may wish to take a break, indulge themselves or share with others. At the same time, consumers are increasingly interested in health, and thus demand clear nutritional information on their food. In addition, more and more people seek out sustainable products and services as well as those that are in harmony with their values.

Fazer aims to provide consumers with a variety of alternatives and opportunities to make balanced choices.

Promoting balance and variety

Fazer’s mission is to create taste sensations. This refers to our commitment to offer delicious experiences and be part of the best moments of the consumer’s day. For this reason, one of the key tasks of our product development work is to create products and services that bring enjoyment for all the senses, regardless of whether it is porridge, bread, lunch, or confectionery.

At the same time, Fazer strives to help consumers find a balanced and varied diet. To support this effort, we follow the national and Nordic nutritional recommendations and regulations in developing our products and services. Our sourcing activities focus on procuring ingredients that are safe and traceable. Together with our suppliers, we seek to guarantee the high level of quality and reliability of our ingredients. We are also continuously improving the traceability of the delivery chain of our ingredients.

We see it as our duty to develop our marketing practices so that we communicate responsibly and transparently about our products and services.
Collaboration and transparent communication

According to the survey Fazer conducted in 2014, our stakeholders feel that the most important opportunity for Fazer with regard to improving its corporate responsibility is that of becoming a front runner in the discussion about health and well-being. In order to achieve this position, we continuously develop our expertise in health and nutrition. The Fazer Group Research team, which manages Fazer’s research network and the Group’s research programmes, maintains ongoing partnerships with research institutes and healthcare professionals to study topics that are relevant to our offering.

Furthermore, we communicate openly with our stakeholders on nutrition and other related issues, focusing continuously on improving the transparency and availability of information on our products and services.

One topic of our communications on health and well-being concerns proper food portioning. Obesity and healthy sugar intake are widespread public health concerns. By promoting correct portion size at Fazer’s restaurants, we are also able to reduce the amount of wasted food.

Packaging is an important means for Fazer to communicate with consumers about health-related aspects. Work is currently ongoing to ensure that the packaging for Fazer confectionery clearly indicates whether products are for individual consumption or for sharing. For instance, in 2014, large packages of Fazer’s sugar confectionery products began to show the message “Share the FUN”.

Another current initiative of Fazer Food Services is that of increasing the proportion of vegetables on guests’ plates. As part of this effort, Fazer Food Services is working to help consumers understand that eating more vegetables instead of meat positively impacts their health as well as the environment.

In 2014, Fazer started the Green Buffet project, which focuses on making vegetables more appealing with the help of chefs from the renowned River Cottage Chef’s School in the UK. Seven chefs representing all of Fazer Food Services’ markets have participated in the project so far. The objective is for these representatives to serve as green ambassadors who will educate other chefs at Fazer Food Services restaurants in all markets.
Can chocolate be part of a balanced diet?

Fazer says "Yes!"

Good news for chocolate lovers! A recent study commissioned by Fazer and conducted by the Department of Food Sciences of the University of Helsinki shows that you can enjoy a moderate amount of dark chocolate every day as a part of a balanced diet.

A total of 22 subjects with mild hypertension participated in the ten-week study, replacing their daily snack with 250 kcal of dark chocolate in the form of seven Fazer dark chocolate 70 per cent pralines. According to the study’s results, the moderate daily consumption of dark chocolate did not lead to an increase in the participants’ weight or have any negative impacts on their health.

In 2013, the EU had officially authorised a health claim that cocoa flavanols help to maintain blood vessels’ elasticity, thereby promoting healthy blood circulation.

Part of Fazer Group’s scientific research focuses on studying how chocolate and cocoa consumption affect the human body and mind. The research seeks to complement existing international studies and understand the effects of Fazer’s chocolate products on consumers.
People matter

People make Fazer happen. Fair play with everybody working with us.
People make Fazer happen

Fazer aims to be a responsible employer that provides people with jobs that are meaningful and challenging in a safe and supportive environment. The Group invests continuously in preserving its status as an attractive employer.

Fazer is a performance-driven company that continuously develops its people and provides them with growth opportunities. We want to ensure that our personnel are motivated and have clear responsibilities.

In 2013, we began executing Fazer’s well-being strategy in all of the countries where we operate. The well-being strategy is based on eight drivers: leadership, work fluency, safety, health, competence, meaningfulness, fellowship and employeeship, and work lifecycle management. The processes and tools for implementing the strategy have not only been incorporated into Fazer’s people development but also into management and other systems.

Improving occupational health and safety was one of Fazer’s top priorities in 2014 and will continue to be a key focus in 2015. Occupational safety is a central part of well-being at work across Fazer’s production units. Fazer’s principle is “safety first.” Our aim is to reduce the frequency of Lost Time Accidents (LTAs), with the ultimate target of zero accidents. In order to achieve this, cultivating a safe working environment is vital.

In addition to managing health and safety as part of our internal processes, we recognise that behaviour is the key to safety. For this reason, we promote safety leadership at every level. We take necessary steps to prevent accidents by minimising and eliminating hazards from the working environment and ensuring that all Fazer employees are trained to work in a safe way.

Our objective is to prevent accidents and create a safe and healthy working environment for our employees at all sites and facilities.

Employee survey shows improvement in engagement

The outcome of Fazer’s well-being strategy can be seen in the results of the Group’s annual People
Power Survey, which assesses employees’ workplace satisfaction. In 2014, the survey, which was conducted in November, received a response rate of 78.4 per cent, an improvement from the previous year.

Regardless of the challenging business environment and structural changes in the organisation, the results of the survey show that employees’ levels of engagement in the company have improved. All of the indexes that indicate overall satisfaction are clearly above the European benchmarks in 2014.

Managerial work and empowerment are on a high level and clearly exceed benchmarks. Employer image together with communication and involvement also exceeded benchmarks. More Fazer employees agree that they would recommend the company as an employer. A greater proportion also say that they believe in the excellence of our products and services.

Stress levels have, however, remained on a high level. Working prerequisites and operating culture are areas that have shown improvement but still remain below benchmark levels.

The item concerning the usefulness of development discussions showed the most improvement among all of the questions in the survey.

The Well-being Index, which had already improved in the previous year, rose further in 2014. The index is composed of 16 survey items that relate to well-being.

Building a high performance culture

The goal of Fazer’s HR is to successfully support Fazer’s business strategy execution by building a high-performance culture across Fazer.

Our goal is to employ motivated and healthy people across borders and businesses, in both blue collar and white collar positions. In our view, this requires good leadership on all levels. We believe that every manager has the potential to exhibit leadership.

To realise this potential, clear performance management is needed. We see performance management as the task of enabling employees to understand how their work relates to the company’s strategy and contributes to its success. In addition, we need to drive for smarter and more efficient ways of working in the field and in the office.

A crucial element of people development at Fazer is that we don’t only seek to develop leadership but also employeeship. We need to encourage every employee to take personal responsibility for building our joint success. Our aim is to promote a culture of trust and continuous improvement, which increases the Group’s efficiency as well as people’s well-being.

Fazer recognises that in order to be successful in today’s competitive world, it needs to continuously look beyond its own operations and benchmark itself against other companies in order to learn and improve ways of working within the Group.
Fazer’s statement for responsible HR

We respect our employees and strive to offer them motivating and meaningful work. This means:
• A trusting and equal work community
• A safe and functioning work environment
• Clear roles, responsibilities and expectations
• Sharing of accurate, reliable and timely information
• An opportunity to give and receive appropriate feedback
• Fair rewards
• Opportunities for personal and professional growth

We encourage our people to seek and sustain work-life balance.

We are empowered by diversity and encourage our people to work across borders.

We constantly and systematically develop our managers’ leadership skills to ensure that we all live Fazer values every day.
Fair value chain

We operate responsibly and create fair business opportunities throughout the chain we are part of.
Operating responsibly throughout our value chain

Fazer operates responsibly and creates fair business opportunities throughout its value chain. We aim for continuous improvement in sourcing our raw materials, placing an emphasis on quality, safety, responsibility and traceability.

Whether raw materials are domestically produced or must be sourced from elsewhere in the world, Fazer takes responsibility for ensuring the health and safety of consumers by ascertaining the security of its sources.

For Fazer’s businesses to be successful, it is vital that we provide consumers with products and services they can trust. Therefore, food safety is extremely important in our sourcing activities and throughout the supply chain. In addition, we focus on assessing the impact of our sustainability work, for example, in sourcing of cocoa and other raw materials whose supply may be associated with higher risks. We aim to thoroughly examine and address the impacts related to our activities in the communities where we operate.

Strict auditing process for Fazer’s suppliers

Raw material sourcing at Fazer is a strict process. We choose our suppliers carefully and evaluate them based on their responsibility in their own processes and value chains. We make use of countless ingredients in our products and services and some of our raw materials come from countries with great challenges in terms of sustainability. For this reason, we constantly work to develop our processes, paying attention to social justice and environmental aspects, for example.

We see it as important that our suppliers adhere to the same ethics as we do. Therefore, we ask all of our business partners throughout the whole value chain to comply with Fazer’s ethical principles. Our aim is to ensure that the suppliers we cooperate with conduct their businesses in an ethical manner.
By putting food safety and quality certifications in place at our own production facilities, we help ensure that any food safety issues are systematically managed and hazards are quickly identified and controlled. All Fazer bakeries in Sweden have been certified according to the BRC global food safety standards for several years. Fazer’s biscuit factory has been certified according to the FSSC 22000 food safety system since 2010. Most recently, our chocolate factory gained certification in 2014. We have made a comprehensive plan for certifying all of Fazer’s sites according to the FSSC standard for food safety systems.

Furthermore, we have developed many good practices for minimising allergen and foreign material risks in our products and services. At Fazer, food safety is built on closely regulated and monitored production, delivery processes, quality ingredients and thorough product information.

Continuous improvement in sourcing

For many years, Fazer has set targets and worked to raise its responsibility in sourcing essential raw materials like cocoa, palm oil, fish and grain. According to the Group’s plan, we aim to increase the share of the responsibly produced cocoa we use in our production by 10 to 15 per cent annually according to its availability and market conditions. By 2017, the origin of 100 per cent of our cocoa will be traceable and all of the cocoa we use will fulfil the criteria of responsible production. In 2014, the Group increased the proportion of its cocoa products that comply with responsibility programmes to 50 per cent.

In 2014, the World Cocoa Foundation (WCF) rewarded Fazer for our longstanding support for sustainable cocoa. We aim to further improve traceability in cocoa sourcing. We adhere to the WCF’s responsibility principles, which promote sustainable cocoa growing communities through economic and social development and environmental stewardship. We have been working closely with the partners involved in our value chain to find ways to create a real positive impact in cocoa producing countries. We see great potential in this area, and recognise that challenges particularly in West Africa require close cooperation and open sharing of knowledge and expertise.

In 2014, Fazer published a Commitment to Responsible Palm Oil. The new commitment will direct the Group’s palm oil sourcing until 2020, and is a continuation of our work in the field of palm oil. The
objective of the commitment is to improve traceability and sustainability in palm oil sourcing.

Fazer has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004. We acknowledge the need to move forward in ensuring that our products do not include palm oil from unsustainable sources. All the palm oil Fazer uses is RSPO certified palm oil via different supply chain options. In 2012 and 2013, all of the palm oil we used was covered by Green Palm certificates, which support the production of palm oil according to RSPO’s responsibility criteria. In 2014, the first share of the palm oil we sourced fell under the mass balance supply chain system, while Green Palm certificates covered the remaining portion.

**Improving sourcing practices**

Our aim is to achieve continuous improvement in the responsibility of our sourcing practices and to move beyond certificates to see what more can we do to reduce the negative impacts our activities have on the environment and the communities where we operate.

We also seek to promote responsible fish sourcing and have set specific targets for the sourcing of fish in each of our operating countries. Our restaurants in Finland, Sweden and Denmark follow WWF recommendations regarding the use of seafood, while our restaurants in Norway use the recommendations as a standard.

The origin of grain as well as domestic content are important issues for Fazer Mill & Mixes, and the business unit has achieved excellent results in international comparisons for several years. The production process is audited annually by an internationally recognised third party, the American Institute of Baking (AIB). The aim of the auditing programme is to ensure the constant development of Fazer Mill & Mixes’ production process. During the audits, special attention is paid to product safety processes, and procedures concerning traceability and other aspects are intensively tested. Fazer has now achieved an excellent grade in AIB audits three times in a row.

The wheat and oat used by Fazer in Finland is 100 per cent Finnish. Furthermore, Fazer is a founding member of the Pro Ruis (“Pro Rye”) Association, which was established to strengthen cooperation in Finland’s rye value chain in order to improve the availability of the grain. The mission of the association is to improve conditions for the cultivation of rye in Finland and promote its popularity among farmers and consumers alike. The activities of Pro Ruis include plant breeding, supplying information on proper cultivation, conducting contract activities, providing research and offering training. We continue to augment our use of Finnish rye through continuous cooperation with the association.
Since 2007, Fazer has sponsored the small farming village of Biéby and its community members through WCF ECHOES programme. Biéby is located in the Ivory Coast, which is the world’s largest producer of cocoa.

Fazer supported the establishment of the first secondary school in the village, which offers youths aged 12 to 16 the opportunity to continue studying in their home village. The school has considerably enhanced education in the area where previously no educational institution catered to the needs of this age group. The school is now part of public school system.

Around 400 students were expected to attend Biéby Junior High School for the academic year 2014–2015. For Fazer, it was inspiring to hear that the school requires expansions due to the large volume of new students attending.

"Instead of turning to Fazer to request funding for the expansion, they took the initiative to raise the money. I feel that this illustrates the empowerment and real impact that has been made on the community," says Leena Majämäki, VP, Communications Fazer Group.
Part of the environment

We rely on the resources nature gives us. We use them responsibly.
Building on a long tradition of considering the environment

Developing its environmental responsibility is a long-term focus for Fazer. The most important matters for the Group with regard to environmental responsibility are climate change, waste issues, eutrophication and biodiversity.

Fazer works constantly to reduce the environmental impact of its operations. As part of our renewed corporate responsibility programme, we introduced energy efficiency, water, raw material loss, water use, sustainable farming and awareness as key areas in developing our environmental responsibility.

During 2014 we updated our environmental policy. To manage the Group’s environmental impacts, many of our production sites and restaurants are certified according to the ISO 14001 standard for environmental management systems. Also, to support ISO14001 implementation and continuous improvement, we have developed our own environmental standard to harmonise and enhance environmental performance at our sites. In 2014, we held internal discussions on the contents of our environmental standard as a means to foster awareness among personnel and explain its benefits. The discussions also covered environmental issues and how our revised environmental policy is implemented at our sites.

Energy efficiency is a central issue in Fazer’s environmental work. At Fazer, practical steps to improve energy efficiency include developing existing production facilities and processes, investing in energy efficient solutions and decreasing the amount of production waste.

We renewed our energy strategy and set site-specific targets in 2012, aiming at a 20 per cent reduction of the energy used per item produced by 2020. This target applies to the bakery and confectionery businesses and Fazer Mill & Mixes. So far, the Group has reduced its energy use per tonne by 7 per cent between 2011 and 2014.
Also as part of the energy strategy, we are targeting an increase in our use of energy from renewable sources to 70 per cent of the electricity we consume in our bakery, confectionery and mill businesses by 2017. In 2014, over 66 per cent of the electricity used by the above-mentioned businesses came from renewable sources.

Fazer’s operations in Finland have already exceeded their renewable electricity targets. Since 2012, all electricity used in our bakery and confectionery factories and mills has come from renewable energy sources. In addition, Fazer has supplied oat husks from its milling activities to an energy plant. Oat husk, a by-product from processing oat, has a high calorific value and can be used for the production of heat energy.

Reducing waste throughout our operations

We recognise that food waste is a critical global issue and thus treat waste reduction as a priority at Fazer. In our own production and sites, particularly in bakery and confectionery, we are pursuing major efforts to tackle raw material loss and minimise scrap. While the total volume of waste increased in 2014, there was a positive development in increasing the share of the waste that was recycled. Thus the share of waste to landfill has decreased. However, there remains plenty of potential for progress in this area, and this continues to be one of our main areas for improvement. One of the actions we have planned for 2015 is to create a commitment regarding waste for Fazer Group.

Since 2011 Fazer Food Services has successfully implemented programmes to raise awareness about the environmental impact of food waste, especially at its student and personnel restaurants, urging guests to take only what they can eat. The business area also continues to concentrate on minimising waste in the food preparation phase.

One area that is highlighted in Fazer’s renewed corporate responsibility programme on which the Group intends to focus more heavily is water consumption. At the moment, we are in the process of recording the Group’s total consumption of water and waste water, which will enable us to set future targets for reducing our water footprint. In 2014, we made positive progress in reducing our water consumption per produced tonne.
Partnerships and commitments

In 2013, Fazer made a long-term commitment to the Baltic Sea Action Group (BSAG). By pledging to develop our production, ways of working and offering in a manner that contributes to the promotion of the ecological balance of the region’s waters, we support BSAG’s efforts to prevent the eutrophication of the Baltic Sea.

For example, we consider sustainable farming practices in our sourcing activities. In addition, waste water from our facilities is always treated in municipal sewage treatment plants. Nevertheless, we continue to work to limit the sewage load from our production activities.

In 2014, Fazer took a significant step in addressing the impacts of its activities on biodiversity by initiating a three-year partnership with WWF. The Group also participated in the Master Class Programme on Business & Biodiversity of the Finnish Corporate Responsibility Network (FIBS). The objective of the training was to raise companies’ understanding of the opportunities they have to promote biodiversity. The programme is a joint project of FIBS and the Finnish Ministry of Environment.

We continue to promote environmental awareness within Fazer, providing our employees with information about our environmental work so that they can contribute actively to our efforts and serve as ambassadors for the company.

Since 2012, WWF Finland and Fazer Food Services have cooperated to promote sustainable fishing. On 22 May, 2014, the two organisations expanded their partnership to help solve the topical global challenge of securing biodiversity.

Fazer Group launched a three-year collaboration with WWF Finland with the aims of identifying the main impacts of its operations on biodiversity and finding ways to reduce them. “All business at Fazer, energy and water consumption, as well as the use of raw materials have an influence on biodiversity. In cooperation with WWF we can assess our own expertise and acquire more tools for developing our operations, as well as our products and services,” says Nina Elomaa, Corporate Responsibility Director at Fazer.
Managing our responsibility
Corporate responsibility in practice

At Fazer Group, corporate responsibility matters are handled as part of the Group’s and business areas’ strategy processes. Management systems are designed to support the implementation of objectives and measures.

The Group President is ultimately accountable for corporate responsibility, which is managed as part of normal operations. As a member of the Group Management Team, Fazer Group’s SVP of Communications and Branding is responsible for corporate responsibility. The Corporate Responsibility Director and specialists function under the SVP of Communications and Branding, and are responsible for planning and developing corporate responsibility in practice.

The strategy processes of the Group and business areas take corporate responsibility into account. Objectives and actions are implemented within the framework of their respective management systems. Business area leaders are responsible for monitoring the practices, instructions and operating models related to corporate responsibility, as well as for setting and reaching targets with regard to corporate responsibility in their own business areas.

Fazer is committed to the UN Global Compact
Fazer Group signed the UN Global Compact in 2012, and has based the Group’s ethical principles concerning human rights, working conditions, environmental protection and prevention of corruption on it. All of the Group’s activities are guided by the law as well as Fazer’s own values, ethical principles, corporate responsibility and environmental policies, management practices and operating principles. Processes have also been put in place to manage any cases of non-compliance with our principles. For example, the Fazer Way Helpline is a confidential telephone and web-based service that was established to report any incidences of misconduct.
The Group continuously develops its corporate responsibility programme, reviewing performance against set goals on a yearly basis. In 2014, Fazer renewed its corporate responsibility and environmental policies. The policies are implemented through Fazer’s corporate responsibility programme. In 2014, the Group’s ethical principles were also revised. In addition, Fazer is currently developing a human rights policy.

Corporate responsibility is a vital part of managing Fazer’s operations
Business areas and country units implement Fazer Group’s corporate responsibility programme initiatives through their own responsibility programmes. In order for Fazer to achieve targets and objectives with regard to corporate responsibility, it is essential that it is incorporated into the Group’s daily operations.

Fazer has a corporate responsibility forum, which consists of members of senior management. The forum’s task is to develop corporate responsibility at Fazer and ensure that matters relating to it are taken into account in business processes.

In 2014, the Fazer Group corporate responsibility network was established as an unofficial discussion forum for corporate responsibility professionals within Fazer. The aim of the network is to ensure that Fazer Group is increasingly oriented towards corporate responsibility and that appropriate resources are used for its development. Members of the corporate responsibility network located in different countries share knowledge, knowhow and views related to corporate responsibility from the perspective of their different market areas and businesses.

“This is a very important and useful internal platform for spreading knowledge on corporate responsibility and supporting the implementation of Fazer’s corporate responsibility programme,” says Nina Elomaa, Corporate Responsibility Director at Fazer.
Fazer's corporate responsibility goals and achievements

**Goals**

**Running business**  Fazer brings prosperity to the company and to society.
- Manage issues which affect Fazer’s reputation
- Follow Fazer’s ethical principles in all businesses
- Secure and increase brand value
- Bring added value to stakeholders

**Part of the environment**  Fazer relies on nature’s resources and uses them responsibly.
- Cut energy consumption by 20% per product tonne by 2020
- Increase the proportion of renewable energy to 70% of total electricity consumption by 2017
- Improve environmental competence, measurement of environmental loads and monitoring in restaurants

**For health and well-being**  Fazer enables consumers to make choices based on knowledge and personal preferences, bringing balance and well-being.
- Increase responsible offering and communicate with consumers about it
- Participate in food, health and sustainability-related studies

**Achievements in 2014**
- Updated Fazer’s ethical principles
- Carried out a stakeholder study which aided in the renewal of Fazer’s corporate responsibility vision, strategy and programme
- Updated Fazer’s corporate responsibility policy and environmental policy
- Continued to track Fazer’s reputation in Finland, Russia and Sweden, with excellent results
- Developed the issue management process further
- Updated Fazer’s corporate responsibility risk map
- Carried out energy efficiency measures within production units according to plan
- Increased the share of renewable electricity of the whole Group’s total electricity consumption to 66%
- Began partnership with Lahti Energia for the utilisation of oat husks from milling operations for power generation
- Started cooperation with WWF Finland on biodiversity
- Created a vision regarding responsible grain sourcing at Fazer to tackle the challenges related to issues such as eutrophication and established a relationship with sustainable farming
- Conducted the Don’t Feed the Garbage Goblin campaign for the fifth time in Sweden and the third time in Finland with excellent results
- Increased the amount of vegetables in Fazer Food Services’ offering to approximately 40%
- Increased the use of organic and seasonal produce in restaurants
- Raised the share of sustainable fish to approximately 50%
- Carried out a study on the health effects of chocolate

**2015 and onwards**
- Implement Fazer’s updated CR vision, strategy and programme
- Further develop systematic dialogue with stakeholders
- Continue developing the issue management process
- Incorporate corporate responsibility more deeply into the strategy and risk management process
- Continue improving energy efficiency
- Proceed with the implementation of Fazer’s environmental standard and work according to the ISO14001 implementation plan
- Promote the reduction of waste; improve monitoring and measuring. Create a Group-wide commitment to waste reduction
- Continue developing responsible offering
- Develop communications to assist consumers in making responsible and healthy choices
- Further increase the use of seasonal produce in restaurants’ offering
Goals

People matter  Fazer observes fair play with everyone it works with. People make Fazer happen.

- Respect all employees and offer them an equal working community, motivating and meaningful work and a safe working environment
- Encourage employees to seek and sustain work-life balance
- Develop a diversified working community as a strength and a success factor

Achievements in 2014

- Signed the Corporate Responsibility Network (FIBS) diversity charter
- Established occupational safety as a main focus area and part of the bonus target for employees
- Joined the Finnish Zero Accident Forum
- Took further steps in implementation of well-being strategy

2015 and onwards

- Continue measures to continuously improve occupational safety
- Proceed with implementation of occupational well-being strategy
- Support Fazer’s business strategy execution by building high performance culture across Fazer
- Create an action plan to build a diverse working community

Fair value chain  Fazer operates responsibly and creates fair business opportunities throughout its value chain.

- Constantly improve the level of responsibility and strengthen cooperation in our value chain
- Control and mitigate responsibility risks related to the raw material base; set targets for raw material categories, control them and take corrective actions
- Improve traceability in the value chain. Secure food quality and safety

Achievements in 2014

- Raised the share of cocoa produced in accordance to responsibility programmes to 50 % of total volume purchased
- Received an award from WCF for long-term work in responsible cocoa sourcing
- Published commitment to sustainable palm oil sourcing
- Conducted stakeholder dialogue and supplier questionnaire on animal welfare
- Continued work with the Finnish Pro Ruis ("Pro Rye") association
- Focused on food safety and started the FSSC certification process. Also emphasised allergen control and traceability

2015 and onwards

- Continue development in mapping critical raw material risks
- Continue promoting cultivation of domestic rye in Finland
- Continue the work with responsible and traceable cocoa and responsible palm oil
- Continue the work with implementing FSSC certification plan

Fazer participated in Natural Resources Institute Finland (MTT)’s Climate Lunch and the Consumers’ Union of Finland’s Food Waste Week, initiatives which focus on climate-friendly food and decreasing food waste.

Fazer continued activities supporting the Baltic Sea Action Group.

Fazer participated in the Corporate Responsibility Network (FIBS) biodiversity master class.
Key figures

TAXES BORNE AND EMPLOYER’S CONTRIBUTIONS, M€ *)
- Income taxes 14.0
- Taxes on property 1.3
- Excise duty on confectionery 25.0
- Employer’s contributions 122.0
- Other taxes 3.1

DIVISION OF ECONOMIC VALUE, M€
- Personnel 559.5
- Society 43.8
- Owners 20.9
- Financiers 1.9
- Business development 54.3

ECONOMIC VALUE GENERATED AND DISTRIBUTED, M€

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC VALUE GENERATED:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers (net sales, other operating income, financial income, sales of assets)</td>
<td>1,658</td>
<td>1,707</td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct purchases</td>
<td>-571</td>
<td>-602</td>
</tr>
<tr>
<td>Indirect purchases</td>
<td>-355</td>
<td>-364</td>
</tr>
<tr>
<td>Operative investments</td>
<td>-51</td>
<td>-48</td>
</tr>
<tr>
<td>Added value</td>
<td>680</td>
<td>692</td>
</tr>
<tr>
<td>ECONOMIC VALUE DISTRIBUTED:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel (salaries, wages and other indirect employee costs)</td>
<td>-560</td>
<td>-564</td>
</tr>
<tr>
<td>Society (taxes and donations)</td>
<td>-44</td>
<td>-46</td>
</tr>
<tr>
<td>Owners (dividends)</td>
<td>-21</td>
<td>-21</td>
</tr>
<tr>
<td>Financiers (interest and other financial expenses)</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Economic value retained in business</td>
<td>54</td>
<td>60</td>
</tr>
</tbody>
</table>

ECONOMIC VALUE GENERATED:

- Payroll taxes 104.4
- VAT, net 59.7
- Other taxes 3.2

TAXES COLLECTED, M€

TAXES COLLECTED, M€

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC VALUE GENERATED AND DISTRIBUTED, M€</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>104.4</td>
<td>117.7</td>
</tr>
<tr>
<td>VAT, net</td>
<td>59.7</td>
<td>40.6</td>
</tr>
<tr>
<td>Other taxes</td>
<td>3.2</td>
<td>2.5</td>
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</tbody>
</table>

EMPLOYEES BY AGE, %

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>21.8</td>
<td>21.7</td>
</tr>
<tr>
<td>21–30 yrs</td>
<td>31.6</td>
<td>31.5</td>
</tr>
<tr>
<td>31–40 yrs</td>
<td>25.0</td>
<td>23.0</td>
</tr>
<tr>
<td>41–50 yrs</td>
<td>11.9</td>
<td>10.5</td>
</tr>
<tr>
<td>51–60 yrs</td>
<td>8.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Over 60</td>
<td>4.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Frequency of occupational accidents

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fazer Bakery</td>
<td>8.4</td>
<td>9.7</td>
</tr>
<tr>
<td>Fazer Food Services</td>
<td>18.6</td>
<td>26.0</td>
</tr>
<tr>
<td>Fazer Confectionery</td>
<td>28.6</td>
<td>24.1</td>
</tr>
<tr>
<td>Total in Group</td>
<td>14.5</td>
<td>17.4</td>
</tr>
</tbody>
</table>

ENVIRONMENTAL INDICATORS

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of production (tonnes)</td>
<td>579,670</td>
<td>608,180</td>
</tr>
<tr>
<td>Energy consumption (MWh)</td>
<td>538,053</td>
<td>566,385</td>
</tr>
<tr>
<td>Energy consumption / produced quantity (MWh/tonne)</td>
<td>0.93</td>
<td>0.93</td>
</tr>
<tr>
<td>Usage of water (m³)</td>
<td>935,473</td>
<td>1,006,632</td>
</tr>
<tr>
<td>Usage of water / produced amount (m³/tonne)</td>
<td>1.61</td>
<td>1.66</td>
</tr>
<tr>
<td>Used raw materials (tonne)</td>
<td>541,778</td>
<td>570,905</td>
</tr>
<tr>
<td>Used raw materials / produced quantity (tonne/tonne)</td>
<td>0.93</td>
<td>0.94</td>
</tr>
<tr>
<td>Total amount of waste (tonnes)</td>
<td>41,789</td>
<td>37,073</td>
</tr>
<tr>
<td>Recycled (%)</td>
<td>71</td>
<td>68</td>
</tr>
<tr>
<td>Recycled as energy (%)</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Landfill waste (%)</td>
<td>10</td>
<td>13</td>
</tr>
</tbody>
</table>

*) Insurance taxes and energy taxes not included.

The environmental indicators cover the operations of Fazer’s bakeries and confectionery factories and Fazer Mill & Mixes.
## Fazer's history and heritage

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>Karl Fazer opens his first café. Employees and the proprietor’s family dine together. Bakery products are reasonably priced so that all have the chance to try new delicacies.</td>
</tr>
<tr>
<td>1891</td>
<td>Fazer donates products and clothing for hospitals and the front. Kalastajatorppa restaurant is turned into a war hospital.</td>
</tr>
<tr>
<td>1892</td>
<td>Fazer establishes its own employee healthcare station.</td>
</tr>
<tr>
<td>1895</td>
<td>New factory housing is constructed in Vantaa. The “Fazerila” area also includes housing, services and a church.</td>
</tr>
<tr>
<td>1898</td>
<td>Fazer purchases the family bakery Oululainen. Its packages are the first in Finland to show the nutrient facts of bread.</td>
</tr>
<tr>
<td>1930</td>
<td>Fazer donates products and clothing for hospitals and the front. Kalastajatorppa restaurant is turned into a war hospital.</td>
</tr>
<tr>
<td>1939</td>
<td>Fazer’s own day care centre opens. It is still operating today.</td>
</tr>
<tr>
<td>1941</td>
<td>Fazer starts producing organic rye flour.</td>
</tr>
<tr>
<td>1950</td>
<td>New factory housing is constructed in Vantaa. The “Fazerila” area also includes housing, services and a church.</td>
</tr>
<tr>
<td>1958</td>
<td>Fazer purchases the family bakery Oululainen. Its packages are the first in Finland to show the nutrient facts of bread.</td>
</tr>
<tr>
<td>1960</td>
<td>Fazer’s own mill begins operations with grain bought directly from farmers.</td>
</tr>
<tr>
<td>1969</td>
<td>Fazer starts producing organic rye flour.</td>
</tr>
<tr>
<td>1970</td>
<td>Fazer’s own day care centre opens. It is still operating today.</td>
</tr>
<tr>
<td>1971</td>
<td>Fazer’s own mill begins operations with grain bought directly from farmers.</td>
</tr>
<tr>
<td>1974</td>
<td>Fazer donates products and clothing for hospitals and the front. Kalastajatorppa restaurant is turned into a war hospital.</td>
</tr>
<tr>
<td>1980</td>
<td>Fazer starts producing organic rye flour.</td>
</tr>
<tr>
<td>1986</td>
<td>Fazer starts producing organic rye flour.</td>
</tr>
<tr>
<td>1990</td>
<td>Fazer donates products and clothing for hospitals and the front. Kalastajatorppa restaurant is turned into a war hospital.</td>
</tr>
<tr>
<td>1995</td>
<td>Fazer donates products and clothing for hospitals and the front. Kalastajatorppa restaurant is turned into a war hospital.</td>
</tr>
<tr>
<td>2000</td>
<td>Fazer Group introduces shared values.</td>
</tr>
<tr>
<td>2004</td>
<td>Fazer acquires membership to the Roundtable on Sustainable Palm Oil (RSPO).</td>
</tr>
<tr>
<td>2009</td>
<td>Fazer outlines its ethical principles.</td>
</tr>
<tr>
<td>2010</td>
<td>Fazer institutes an energy strategy, as well as targets and necessary measures for production units.</td>
</tr>
<tr>
<td>2011</td>
<td>Fazer signs the UN Global Compact initiative.</td>
</tr>
<tr>
<td>2013</td>
<td>Tax footprint is reported.</td>
</tr>
<tr>
<td>2014</td>
<td>Fazer commits to sourcing responsible palm oil.</td>
</tr>
</tbody>
</table>