



Communication on Progress 2012

# **Fazer Group**

**Global Compact – Communication on Progress (COP) 2012**

## Statement of continued support by the Chief Executive Officer (CEO)

April 25, 2013

To our stakeholders:

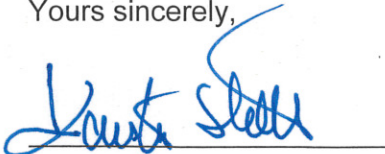
With this letter I am pleased to confirm our continued support for the UN Global Compact and renew our commitment to the ten principles. Fazer Group is committed to supporting and applying the ten principles of the Global Compact in the fields of human rights, working conditions, environmental protection and anti-corruption measures.

Fazer Group signed the UN Global Compact initiative in 2012. Already since 2007 Fazer's work has been guided by the Group's ethical principles that are based on the ten international principles of the UN Global Compact. Through Fazer's ethical principles, the Global Compact principles form the essential basic guidelines for responsible operations and they create the framework and backbone for our common ways of working.

Ethical principles guide Fazer's work in all business areas and countries of operation. They guide Fazer's employees in treating customers, co-operation partners and work colleagues in an equal and fair way. Actions taken to implement the Global Compact principles and measures of outcomes in the year 2012 are described in the stand alone COP report.

More information on Fazer's corporate responsibility is available on our Annual Review 2012  
<http://www.fazer.com/FazerGroup/Press-room/Annual-reviews/>

Yours sincerely,



Karsten Slotte  
President and CEO  
Fazer Group

## Human Rights Principles

**Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and**

**Principle 2: make sure that they are not complicit in human rights abuses.**

### **Assessment, policy and goals**

*Description of the relevance of human rights for the company (i.e. human rights risk-assessment).*

*Description of policies, public commitments and company goals on Human Rights.*

Fazer Group operates in two business areas: Fazer Brands and Fazer Food Services. Fazer Group offers bakery, biscuit and confectionery products and catering, restaurants and café services. Fazer is headquartered in Finland and operates all together in eight countries. Fazer has 19 bakeries located in Finland, Sweden, Estonia, Latvia, Lithuania and Russia. Fazer also has about 1 100 restaurants in Finland, Sweden, Norway and Denmark. Fazer has 47 in-store bakeries in Finland, 22 bakery shops in Sweden and one in Finland. Fazer has cafés in Finland and Sweden. The confectionery factories are located in Finland.

Fazer's work in all business areas and countries of operation is guided by ethical principles based on the UN Global Compact and Fazer's common, strong values. Fazer's operations comply with the current legislation and rules. Fazer respects the UN's Universal Declaration of Human Rights. The company communicates its ethical principles on the home page and on the company intranet.

Fazer's ethical principles guide Fazer's employees in treating customers, co-operation partners and work colleagues in an equal and fair way. According to the principles, Fazer treats all employees in a fair and equal manner in accordance with internationally proclaimed human rights. Fazer respects the personal dignity, privacy and personal rights of every individual and does not accept any discrimination, intimidation, harassment or offence at work.

Fazer does not accept child labour nor any form of forced or compulsory labour or other human rights abuses. Fazer respects freedom of association and employees' right to collective bargaining. Fazer encourages its business partners to comply with its ethical principles. The goal is to further implement Fazer's ethical principles in all business areas and countries.

## Implementation

*Description of concrete actions to implement Human Rights policies, address Human Rights risks and respond to Human Rights violations.*

*Respecting human rights*

Fazer is committed to respecting human rights in its business. All Fazer employees are responsible for following the company's ethical principles in their daily work. In case of non-compliance, employees can contact their superiors or Human Resources. To ensure that Fazer's ethical principles are followed in every country, Fazer Way Helpline has been established. The objective of the helpline is also to create clear principles and instructions for preventing misconduct and to provide a process for the due examination of reported misconducts. Helpline is a part of the implementation of Fazer's ethical principles.

Fazer Way Helpline is a confidential telephone and web-based service for reporting misconduct. All Fazer employees can call the telephone or complete a report online, if operations are being carried out in the work community contrary to Fazer's ethical principles or other generally accepted practices. Fazer Way Helpline is provided by independent third party.

Fazer employees are responsible for following the legislation and common guidelines in their everyday work and reporting misconduct. Supervisors and foremen are responsible for implementing ethical principles in their teams, informing employees about Fazer Way Helpline, supporting their teams in any issues concerning ethical principles of investigation of possible misconduct. Fazer Group Management, Audit committee of the Group Board is responsible for efficient internal controlling environment. Legal Department is responsible for deciding on investigation procedures. Internal Audit is responsible for developing internal control and monitoring compliance.

Basic rules for examining the reports are the confidentiality in examining the reports, protecting of the anonymity of the reporting employee, a thorough and effective investigation, fairness of the process and necessary actions taken after the investigation.

### *Respecting human rights in the value chain*

Fazer encourages its business partners to comply with its ethical principles. According to Fazer's Procurement Policy, procurement works in accordance with Fazer Group's Corporate Responsibility vision and strategy. Fazer procurement professionals are all committed to the Fazer's ethical principles and we expect the same from our suppliers.

Goals for Fazer's responsible sourcing includes goals constantly improving the level of responsibility in the supply chain and controlling and mitigating raw material related responsibility risks. Fazer also aims at setting targets for each raw material category relevant from the responsibility point of view and at controlling those risks and taking the necessary corrective actions.

In order to improve traceability and transparency of the supply chain, Fazer implemented a new analysis tool based on the corporate responsibility impacts of different raw materials. It complements the standard process of choosing and auditing suppliers, which itself includes corporate responsibility questions. The tool has helped in identifying the most important environmental and social responsibility related risks in each raw material category. The risk analysis tool also helps to identify the social responsibility risks including business integrity and labour discrimination. The goal for 2013 is to analyse the results and allocate measures to those raw material categories that require immediate attention.

Traceability has become an issue of high priority both from ethical supply chain and food safety point of view. In addition to being aware of the possible human rights risks in the countries of operation, it is important to be aware of the risks in the raw materials' countries of origin. Therefore, traceability is an essential topic in Fazer's sourcing. For example, in cocoa sourcing Fazer's goal is that by 2017 all cocoa will be traceable and all the cocoa will meet the criteria for responsible cocoa sourcing.

### *Supporting human rights through partnerships*

Fazer is committed both to respecting human rights in its business and in supporting human rights through working in partnerships. As a family company, Fazer has always recognised its responsibility for the wellbeing of the local community. Fazer is a partner of SOS Children's villages in Finland, Sweden and Russia. Through the partnerships, Fazer wants to support the organisation's work in creating a safe family environment for children and youth. Fazer has been supporting the SOS Children's Village work for over 40 years.

As cocoa is the essential ingredient of chocolate and Fazer is aware of the challenges related to cocoa supply chain, Fazer wants to do its best in improving the conditions at the cocoa farms and farming communities. To accomplish this, Fazer is a member of the World Cocoa Foundation and co-operates with international actors in the cocoa and chocolate industry. An important part of the work is to empower the local communities and families by ensuring the access to education. Fazer is sponsoring the Ivorian village Biéby through WCF ECHOES (Empowering Cocoa Households with Opportunities and Education Solutions) programme established by World Cocoa Foundation.

## **Measurement of outcomes**

### *Description of how the company monitors and evaluates performance*

If any cases should arise regarding the contravention of the Human Rights Principles, a thorough investigation is to be conducted and necessary actions are taken after the investigation. In case a Fazer employee reports a possible misconduct through Fazer Way Helpline, SVP, Legal Affairs decides on investigation procedures, after which Internal Audit or outside independent expert investigates the issue. If further actions are needed, the legal department and other members of management make the decisions. The investigation process is followed by regular management reporting on the issues in question.

Over the last year, one of the important steps to support the implementation of Fazer's ethical principles was taken when Fazer Group signed the UN Global Compact initiative. Although Fazer Confectionery had been a member of the UN Global Compact since 2005, signing the initiative on the Group level helps to raise the level of GC understanding, commitment, reporting and implementation. Therefore, it gives an essential support to Fazer's work in respecting and supporting human rights and other UNGC principles.

Fazer Group has already earlier been working towards many of the goals mentioned in the Global Compact through its Corporate Responsibility program and through Fazer's ethical principles that are based on the ten principles of the UN Global Compact. However, participation in the Global Compact is a widely visible commitment to the implementation, disclosure and promotion of its ten universal principles and the responsible business practices in general.

## Labour Principles

**Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;**

**Principle 4: the elimination of all forms of forced and compulsory labour;**

**Principle 5: the effective abolition of child labour; and**

**Principle 6: the elimination of discrimination in respect of employment and occupation**

### Assessment, policy and goals

*Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.*

According to Fazer ethical principles Fazer treats all employees in a fair and equal manner in accordance with internationally proclaimed human rights. Fazer respects the personal dignity, privacy and personal rights of every individual and does not accept any discrimination, intimidation, harassment or offence at work. Fazer invests in work safety.

Fazer does not accept child labour nor any form of forced or compulsory labour or other human rights abuses. Fazer respects freedom of association and employees' right to collective bargaining. Fazer encourages its business partners to comply with its ethical principles.

Through the ethical principles, Fazer as an employer is committed to providing all its employees in every country with modern and safe working conditions, and to looking after the employees' health, occupational well-being and work satisfaction, as well as treating every employee in an equal manner.

Our terms of employment comply with the provisions in collective agreements, national laws and the relevant ILO conventions. We allow the employees to be represented by trade unions and to enter into collective agreements. The minimum age for employment at Fazer is 18 years.

In addition to Fazer's ethical principles, Fazer's work as an employer is guided by several Fazer People Policies & Guidelines. These include:

- Compensation & Benefits policy
- Fazer Job Grading Guideline
- Resourcing Policy

Fazer has a Group Compensation and Benefits Policy which covers all financial or financial-comparable compensation and benefits elements. Compensation in Fazer is linked to local legislation, collective agreements, position classification, job grading, market surveys and individual and company's performance. All the compensation and benefits topics are processed according to legislation and other imperative regulations.

Fazer Job Grading Guideline provides a systematic way to establish internal relative positioning of the jobs and helps to ensure fair and logical internal comparison and equality.

Group Resourcing Policy sets the guidelines for Fazer resourcing in all Fazer companies and countries. The principles for all Fazer's resourcing include commitment to acting in a responsible and ethical way, following the labour law and local practicalities. The resourcing is also always conducted according to Fazer's ethical principles and values. Fazer wants to promote flexible working arrangements and job rotation to motivate, develop and retain our talent.

We are active in the international collaborative efforts to improve the working conditions of those active in producing our raw materials, such as cocoa.

The principles of Responsible HR at Fazer include always respecting employees and offering them an equal working community and safe working environment. Fazer also wants to make diversified working community strength and a success factor. For the year 2013 and onwards Fazer strives to implement occupational safety standard in all production units and continues to work promoting equality and building a performance indicator for equality.

## Implementation

*Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.*

According to Fazer's ethical principles, any employee or related party can contact anonymously Group CEO, Group Legal or Risk Management on any non-compliance without risk of retaliation or other negative consequences. Non-compliances will be duly examined and proper actions taken. In connection with adopting the ethical principles, a new Fazer Way Helpline service was taken into use. The service offers all Fazer employees an opportunity to take contact anonymously in questions related to ethical principles.

Each and every Fazer employee is responsible for following the ethical principles in their daily work. Managers are responsible for informing, guidance and compliance in their respective areas. In case of any misunderstandings or unclear situations employees can always contact their superiors, Fazer Group risk management or the legal department.

Fazer wants to offer its employees an equal opportunities workplace. People working in an equal opportunities environment feel they are being fairly treated and this affects their well-being. Fazer's equality plan is updated every year, not only as a legal obligation but also as a concrete method of



promoting equality. Its objectives include wage-related targets and seeking equal opportunities for development. It also encourages employees at all organizational levels to aim for any position regardless of gender.

Fazer takes occupational well-being into consideration by, for example developing working methods and conditions, minimizing high-load work stages and investing in new systems and equipment.

In 2012 Fazer implemented an updated HR strategy. Fazer also developed a well-being strategy which will be implemented in 2013 in all Fazer's operating countries. At Fazer, well-being means having a meaningful and rewarding job in a safe environment where working community supports both your wellbeing and career.

Fazer participated in the Re-designing 925 project by developing new working methods and looking for ways to improve the smoothness of the daily work process. Improvement of the office work process will continue in the Lean programme, which started in 2012. It focuses on work efficiency, work flow and employer well-being.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates performance.*

Fazer conducts regular personnel surveys and development discussions to collect information on employee well-being and possible concerns. Fazer's annual personnel survey measures employees' job satisfaction. In 2012, the response rate was a record high, being 73.1%. The respondents were particularly satisfied with the recognition of good performance by the supervisors and the efficiency of decision-making. Investment in well-being at work and hearing the personnel in decision-making were seen as areas that need improvement.

Occupational safety is a central indicator of well-being at work across Fazer's production units. Because of a strong focus on occupational safety, the development has been positive and the number of occupational accidents decreased in 2012. Fazer's own occupational safety standard was tested in the autumn at the Lidköping bakery in Sweden, and will be implemented in all of the production sites in 2013. Fazer is committed to providing safe working conditions and this work will continue in 2013 by implementing the occupational safety standard at all production sites.

The importance of equality at work has further increased. Fazer encourages men and women equally to seek different jobs at all organisational levels. Fazer will continue work to promote equality and build functioning measurement for equality.

In 2012, Fazer enhanced co-operation to promote competence development and created a Group-wide network of human resource developers. To promote the sharing of competence, Fazer established the Fazer Academy portal. Through this portal, each unit has access to all training and development opportunities and to an increasing selection of online learning applications. Various multiform apprenticeship and study opportunities are an important part of professional development, and they are offered in co-operation with different schools.

Fazer has traditionally been a respected and an attractive employer where periods of employment are typically long.



## Environmental Principles

**Principle 7: Businesses should support a precautionary approach to environmental challenges;**

**Principle 8: undertake initiatives to promote greater environmental responsibility; and**

**Principle 9: encourage the development and diffusion of environmentally friendly technologies.**

### **Assessment, policy and goals**

*Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.*

Fazer operates in two business areas: Fazer Food Services and Fazer Bakeries and Confectionery. Operating in the food industry, the most important direct environmental impacts of Fazer's production facilities and restaurants arise from the by-products and waste from raw materials, products and the production, discharges caused by the use of energy, and waste water. Environmental responsibility is one of the main focus areas in Fazer corporate responsibility.

Fazer is committed to continuously improving its products, operations and production facilities to reduce negative impacts on the environment and to optimize the use of resources. According to Fazer's Environmental Policy, environmental responsibility is a natural element of Fazer's corporate culture and it has a significant role in business development. Fazer considers environmental issues in its operations, and operates in accordance with the expectations and regulations set by customers, consumers and authorities.

Fazer is committed to use raw materials and manufacturing methods of high quality and a minimal environmental load. Fazer recognises the most significant environmental effects of its production, and develops the processes and products to reduce negative impacts on the environment. Fazer communicates openly about the environmental impacts of its operations and provides clear and reliable information to the stakeholders.

According to Fazer's Procurement Policy, procurement works in accordance with Fazer Group's Corporate Responsibility vision and strategy. Fazer procurement professionals are all committed to the Fazer Ethical Principles and we expect the same from our suppliers.

### **Specific goals:**

- Cut energy consumption by 20 per cent per product (tonne) by 2020.
- Increase the proportion of renewable energy to 70 per cent of the electricity consumption by 2017.
- Improve environmental competence, measuring environmental impact and monitoring in restaurants.

## Implementation

*Description of concrete actions to implement environmental policies, reduce environmental risks and respond to environmental incidents.*

Fazer's energy strategy was published in 2012. The objective is to cut energy consumption by 20 per cent per product in the bakery and confectionery business by 2020. By 2017, Fazer aims to increase the proportion of renewable energy to 70 per cent of the electricity consumption in all the countries where it operates. This concerns Fazer's bakeries and confectionery factories and Fazer Mill & Mixes. In Finland, their share of renewable energy sources reached 100 per cent of the electricity used in 2012.

In addition to energy, waste generated at the different phases of production is a considerable environmental issue. The primary goal of waste management at Fazer is to prevent the generation of waste fractions and reduce the amount of waste. Waste is to be reused as efficiently as possible, recycling it or using it for energy. In Finland, the production waste generated by Fazer's bakery and confectionery sites are used in biofuel production. In autumn 2012, Fazer started a project in the Russian bakery business to reduce waste and effluent discharges.

In Fazer Food Services, the main environmental focus will be on the management of wastage and the energy-efficiency of restaurants. Management of wastage can be improved through sourcing, assortment development and restaurants' material processes. Energy efficiency is being systematically examined when acquiring machinery and equipment, and also during user training. Clear specification of responsibilities in the job descriptions of restaurant personnel is also a vital aspect of practical environmental management.

Fazer's bakery and confectionery businesses completed a monitoring project concerning environmental laws and requirements. Fazer also launched a chemical management project in the confectionery business in 2012. The project is continuing in both confectionery and bakery production.

### *Environmental systems*

Fazer's restaurant operations in Finland and Sweden have ISO 14001-certified environmental systems. Fazer Foods Services' office in Kannelmäki, Helsinki has the WWF Green Office environmental label. The Green Office programme seeks to lower greenhouse gas emissions and reduce the ecological footprint of offices. In addition, all of Fazer's confectionery factories, the Lidköping bakery in Sweden and the Smolenskaya, Murinsky and Zvezdny bakeries in Russia, have environmental systems with a certification. The objective is to obtain the ISO 14001 certification for Fazer's all bakery operations in Finland.

### *The carbon footprint shows a product's climate impact*

Fazer Bakeries Finland participated in the three-year Foodprint project, which sought to develop data collection and calculation methods and other tools to determine the carbon footprint of the food supply chain. The project has now ended. As a result, a recommendation was published for the standardisation of product climate impact (carbon footprint) calculation.

As part of this project, Fazer analysed the carbon footprint of Fazer Ruispuikula bread and printed the result on the consumer packaging. In 2012, Fazer calculated the carbon footprint of Fazer Imatran Riisipiirakka rice pastries, and calculations are on-going for more products.

In the coming year Fazer's environmental targets include:

- Implement energy efficiency measures at industrial sites according to a separate plan.
- Increase the share of electricity produced from renewable energy sources outside Finland.
- Conduct a waste measurement study in the Finnish restaurants.

## Measurement of outcomes

*Description of how the company monitors and evaluates environmental performance*

Environmental figures are mostly followed on a monthly basis and they are evaluated as part of the QEHS-meetings in the sites. Energy figures are also among the Group level key performance indicators. During the year 2013 a new corporate sustainability report system will be implemented to all Fazer countries to further improve and harmonize the environmental data monitoring - as it also makes the comparison between the sites easier

Environmental achievements in 2012

- Goals according to energy strategy were set for all industrial sites.
- In Finland, the share of renewable energy sources was 100 per cent of the electricity used.
- The entire personnel in Amica restaurants following the Sense concept have environmental diplomas in Finland.
- Restaurants in Finland, Sweden and Denmark made progress in offering organic products.
- The first personnel restaurant in Norway received the Swan environmental label.

## Anti-Corruption Principles

**Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.**

### Assessment, Policy and Goals

*Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment). Description of policies, public commitments and company goals on anti-corruption.*

Fazer is headquartered in Finland, and has own operations in Sweden, Norway, Denmark, Russia and in the Baltic countries. According to Fazer Group Legal Policy, Fazer is committed to acting always in accordance with local legislation and the UN Global Compact Principles in relationships to its stakeholders, such as employees, customers, consumers, suppliers, owners and society. Stakeholders in commercial relationship with Fazer shall be treated equally and in accordance with fair business practices.

According to Fazer's ethical principles Fazer promotes fair business practices and does not engage itself in any illegal or restrictive trade practices. Fazer or its employees do not give or receive any direct or indirect bribes or other benefits that could be regarded as bribes or corruption. Fazer books and documents shall be accurate and describe the true and fair view of the event. No

Fazer employee may offer or receive any money or gift greater than a minor one that could be regarded as bribe or influence. Fazer treats its customers, suppliers and partners in a fair and equal manner. Fazer also expects that its business partners and other stakeholders honour the law and encourages its business partners to comply with its ethical principles.

## Implementation

*Description of concrete actions to implement anti-corruption policies, reduce anti-corruption risks and respond to incidents.*

All Fazer's employees are responsible for following all the ethical principles in their daily work. Managers are responsible for informing, guidance and compliance in their respective areas. In case of any misunderstandings or unclear situations employees can always contact their superiors, Fazer Group risk management or the legal department.

Fazer also has a Fazer Way Helpline, a confidential telephone and web-based service for reporting misconduct. All Fazer employees can call the telephone or complete a report on the Internet, if operations are being carried out in the work community contrary to Fazer's ethical principles or other generally accepted practices. Fazer Way Helpline is provided by independent third party.

## Measurement of outcomes

*Description of how the company monitors and evaluates anti-corruption performance.*

According to Fazer's ethical principles, all non-compliances with the ethical principles will be duly examined and proper actions taken.

Consistency with anti-corruption commitment is ensured as a part of a basic process of regular internal auditing. Internal Audit evaluates the efficiency and suitability of different operations and monitors the functioning of internal control to make sure that financial and operative reporting is reliable and that the approved operating principles and given instructions are complied with. Internal Audit reports operationally to the Audit Committee.

External Auditors are appointed by Shareholder's Meeting for the term of one year and they are responsible for the external audit regulated by the legislation and generally accepted audit practices and guided by their own risk analysis and additional requirement from the Group (e.g. compliance with Group accounting principles).

**During the period of reporting Fazer has not been involved in any investigations, legal cases or other relevant events related to the contravention of the Global Compact Principles.**