

Saarioinen Group

Global Compact – Communication on Progress (COP) 2013



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Statement of continued support

To our stakeholders

I am pleased to confirm that Saarioinen Oy reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Ilkka Mäkelä

CEO
Saarioinen 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

Saarioinen is a Finnish, privately owned food industry group and one of Finland's leading food manufacturers. Saarioinen's goal is to offer high-quality, safe food that tastes great and is easy to use. Saarioinen is the market leader in many of its operational areas. Saarioinen's main market area is Finland. Products are also exported to, for example, the Baltic countries, Germany, Sweden, and Russia.

Saarioinen has on average 1 900 employees in Finland and in Estonia, production on three locations and the head office in Tampere. The head office is responsible for administration, sales, marketing, finance, payroll, purchasing, export, communication and IT, is in Tampere, Finland. Saarioinen also has an affiliate and a production site in Estonia. Saarioinen Eesti's factory was established in 2009 with the aim to start developing and producing a new ready-to-eat product line.

Saarioinen's role as an employer is significant at the areas of operation. Saarioinen employs people at the municipalities of Kangasala, Huittinen, Valkeakoski, Jyväskylä and in Rapla municipality in Estonia. Saarioinen creates jobs also in primary production since most of the purchased raw materials at Saarioinen are of domestic origin.

As mentioned above, Saarioinen operates in Finland and in Estonia. Both countries are among the low risk countries according to Maplecroft's Human Rights Atlas 2013. Also in the Transparency International's Corruption Perceptions Index 2013 Finland ranks extremely well, 3rd out of 177 countries, and Estonia reasonably well, 28th out of 177 countries. Therefore the immediate risk for serious human rights offenses in Saarioinen's main operating countries can be seen as reasonably low.

Saarioinen's most important stakeholders are its owners and authorities, customers and consumers, suppliers and subcontractors and media. Saarioinen wants to be a responsible member of the society carrying its economic, social and environmental responsibility. Saarioinen's values, customer focus, profitability, responsibility and appreciation of employees, are highlighted in all Saarioinen's activities.

Saarioinen signed the Business Charter on Sustainable Development Principles for Environmental Management already in 1991. Sustainability and responsibility work at Saarioinen are guided by Quality Policy, Environmental Policy, Policy for Food Safety and Personnel Policy.

The implementation of sustainability and responsibility goals and targets is realised through standardized procedures. Saarioinen has a certified quality management system ISO 9001 (certified in 1996), environmental management system ISO 14001 (certified in 2003), food safety management system ISO 22000 and ISO/TS 22002-1 (certified in 2012) and health and safety management system OHSAS 18000 (certification in consideration).

In 2013 Saarioinen published the updated Ethical Principles at a training event targeted to supervisors and foremen. According to the Ethical Principles Saarioinen is committed to abiding the international and national laws and generally accepted operating principles. Saarioinen Ethical Principles are based on United Nations Global Compact initiative and to further strengthen its responsibility work, Saarioinen became the signee of the United Nations Global Compact initiative in June 2013.

In connection to the joining to the Global Compact, Saarioinen drafted the supplier guidelines and instructions (Saarioinen Oy Supplier Code of Conduct). The Supplier Code of Conduct is in accordance with the ten principles of the Global Compact. Saarioinen is committed to the demands of the Code of Conduct and in order to ensure sustainability in all of its processes Saarioinen requires all its suppliers to comply with the Code of Conduct.

This means that the suppliers have to comply with the laws of its country and look after its social responsibilities. Suppliers are expected to respect human rights and none of the supplier's employees should be object to any harassment, physical or mental punishment or any other forms of abuse.

Suppliers are also required to obey the laws of its country concerning the minimum salaries, overtime compensation and maximum working hours and suppliers should not use force over its employees and allow them to resign after a reasonable time of notice.

Suppliers are expected not to use child labour and to comply with the ILO conventions and recommendations on child labour.

The employees of the suppliers shall have the right to freedom of association and collective bargaining in accordance with local laws. The suppliers should provide their employees a safe and healthy working environment. All suppliers must operate with care for the environment and ensure the compliance with all applicable laws and regulations in the country where products or services are manufactured or delivered to.

All suppliers should uphold the highest standards of business ethics and the suppliers should prohibit all forms of bribery, corruption, extortion and embezzlement in its business dealings with Saarioinen or any third parties. Suppliers should also ensure that its direct suppliers and subcontractors comply with the principles of the Code of Conduct.

Saarioinen reserves the right to verify the Supplier's compliance with the Code of Conduct. In case Saarioinen becomes aware of any actions or conditions not in compliance with the Code of Conduct, Saarioinen reserves the right to demand corrective measures. Saarioinen reserves the right to terminate an agreement with any supplier who does not comply with the Code of Conduct.

Implementation

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

According to its Ethical Principles, Saarioinen is not, directly or indirectly through its partnerships or associates, complicit in human rights abuses. Saarioinen respects the freedom of association and employees' rights to advocacy and collective bargaining. Saarioinen considers safety as a matter of primary importance and promotes safety together with all its stakeholders.

It is the responsibility of each Saarioinen employee to follow the Ethical Principles in their daily duties and to keep themselves informed on any detailed instructions and guidelines related to the Ethical Principles. The employees can, at all times, report of any misconduct to their supervisors or to Saarioinen management. The Saarioinen corporate culture, in general, emphasises trust between people and encourages employees to express and communicate their concerns openly to management.

Saarioinen initiated a project to boost responsibility work in the beginning of 2013. When the projects finished at the end of 2013, responsibility work continued as a part of

everyday work. The project consisted of four sub-projects: responsible products, environmental responsibility, responsible human resources and responsible sourcing. These themes are all a part of responsible business.

The responsible human resources sub-group worked on issues such as quality of management and leadership, competence development, opportunities to influence on one's own work, compensation and benefits, recruiting practices and occupational health and safety (including mental health).

The responsible product sub-group worked on issues such as raw material responsibility (meat and other raw materials), use of additives, and product safety. Responsible sourcing of meat means that in meals under the Saarioinen brand only Finnish meat is used. All meat suppliers are regularly audited and Saarioinen always communicates the country of origin of the meat in the product labelling.

Regarding other raw materials Saarioinen develops responsibility through guidelines that set certain criteria for the purchasing of fish, palm-oil and the efficient use of all meat raw materials. Saarioinen also states that it does not use GMO or irradiated raw materials.

Saarioinen also has strict guidelines regarding the use of additives. Saarioinen prefers raw materials with fewer additives. Additives are only used in Saarioinen's products if necessary and monosodium glutamate is not used at all. Saarioinen only uses natural colourings. Natural aromas are used when possible.

Product safety is a fundamental part of food industry's responsibility work. At Saarioinen product safety (food safety) is ensured through flow charts, risk assessments and material flow chart prepared for product groups. The risk evaluations for new products are processed and handled in HACCP-groups (Hazard Analysis and Critical Control Points). Self-control guidelines are established and complied with in the production process. The compliance is monitored through self-control audits.

All products go through stability tests both in the development phase and after the development phase. The tests are run regularly and according to the plan. The production hygiene is studied regularly using microbiological samples. All products marketed and sold by Saarioinen have to fulfill the same product safety requirements as the products produced in Saarioinen's own facilities. Saarioinen uses the expiry date labeling in its fresh products.

Traceability is a big part of product responsibility and product safety. Traceability at Saarioinen is developed through raw material traceability (batches of raw materials and

packaging materials received, supplier, date of delivery, date of use, purchasing and warehouse systems), through process traceability (raw materials used for the batch, process values from production, partly electronic, partly manual data collection and through product traceability (traceability of product batches to customer level, product batch labelling (code/date on package), sales and delivery system).

Measurement of outcomes

Description of how the company monitors and evaluates performance

Saarioinen uses BSCI (The Business Social Compliance Initiative) list of risk countries (countries identified to have high risk for problems in working conditions) as one tool in its efforts to develop supply chain responsibility. Companies working in these risk countries have to show proof of their responsibility through some reliable auditing schemes (e.g. BSCI, Fair Trade, UTZ).

Some raw materials Saarioinen uses come from risk countries. For example dried onion comes from India. The company supplying the dried onion is a member of Sedex and the ETI Base Code has been implemented at the factory. The soya protein product Saarioinen uses comes from Brasil. The company supplying the soya protein product is a member of Sedex and a recipient of 2012 Ethisphere's Ethics Inside Certification and was recognized by the Ethisphere™ Institute on their list of the 2012 World's Most Ethical Companies (WME).

The responsibility work with suppliers and risk countries is a continuous effort. The Saarioinen Supplier Code of Conduct, based on the UN Global Compact Initiative, was launched in 2013. Saarioinen suppliers are expected to comply with the Code of Conduct in their own activities. The implementation of the Code of Conduct work has started in the beginning of 2014 with the suppliers from risk countries (BSCI list of risk countries). During 2014 and 2015 Saarioinen is expecting to receive confirmations from the risk country suppliers of their compliance with the Code of Conduct.

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

Saarioinen has on average 1750 employees in Finland and 150 in Estonia. The personnel structure of Saarioinen is labour intensive. Over 80 % of the personnel are working in the production process. Over 60 % of Saarioinen personnel are women and an average person working at Saarioinen is aged 41 and has been employed by Saarioinen for 9.5 years.

The labour practices at Saarioinen are guided by the Saarioinen Values, Ethical Principles, the Management Principles of Saarioinen, the Personnel Policy, the Health and Safety Policy and the Personnel Strategy (2013-2015).

According to the Ethical Principles all employees at Saarioinen have the right to equal and fair treatment. Harassment or discrimination of any kind is not tolerated. Saarioinen employees are responsible for keeping confidential material and information inside the company.

The Management Principles of Saarioinen emphasise the importance of the clarity of goals, indicators and responsibilities. The principles encourage Saarioinen personnel to take part, to let others take part, to listen and to ask for opinions. The principles also ask for a good, fair and equal behaviour and a humane treatment of others. The principles encourage people to trust, to be trustworthy and to work independently. The important element of management at Saarioinen is to be enthusiastic and to lead by example.

The Personnel Policy of Saarioinen aims for a goal-oriented and encouraging management and leadership, active development of personnel, a safe working environment and equal opportunities. It also emphasises open cooperation and active and timely communications on relevant issues and topics.

The emphasis of the Saarioinen Health and Safety Policy is on prevention. The policy also states that Saarioinen offers a safe working environment, aims for disruption-free operations and invests in continuous development and improvement.

Implementation

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

The Personnel Strategy of Saarioinen is built around four areas key areas. At Saarioinen leadership and management skills, the first key area, are continuously developed through education and training. The management model of Saarioinen will also be renewed and a compensation and benefits plan will be made. The statistics and reports regarding personnel data will be developed further.

Competence development, the second key area, aims to ensure competencies that are crucial for supporting Saarioinen strategy. Career planning tools and career paths are created and communicated and a competencies recording system will be taken to use. Employment and salaries, the third key area, will be developed through more detailed instructions on employment issues and a bonus system creation and implementation.

Occupational health and safety issues and the management of working abilities, are all included in the fourth key area. A safety management system implementation, increasing the amount of reports on near-misses, the management of working abilities and better coordination of the occupational health services are high on Saarioinen's development agenda.

Saarioinen has its own model for supporting personnel's wellbeing at work. The model emphasises the importance of good working conditions but also the physical and mental wellbeing of personnel. Wellbeing also requires actions outside work. The responsibility of person's wellbeing is shared between the employer and the individual in question.

Wellbeing at work consists of the work itself but also of the leadership and management styles, development of working conditions (including health and safety), maintaining working abilities and reducing the amount of absences, competence development, promoting healthy living habits and cooperation or the work community. The wellbeing goals and targets are based on Saarioinen values and Personnel Policy. "Competent and Committed Personnel" is the strategic goal for 2016.

Measurement of outcomes

Description of how the company monitors and evaluates performance

Saarioinen sees personnel wellbeing as one of its success factors. Continuous development of competencies and wellbeing at work is safeguarded with systematic

activities aimed at maintaining working abilities and with high-level training and education. The training is divided into internal, external and voluntary individual training. Management and leadership skills are improved through trainings aimed at management and supervisors.

At Saarioinen it has always been important to put effort on employees' vocational education and systematic work has been done to promote education that aims for a diploma or a degree. Saarioinen also cooperates with vocational education institutions to ensure the supply of high quality work force in the future.

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

According to the Ethical Principles, the emphasis of Saarioinen's environmental work is on preventative actions. Saarioinen promotes the use of environmentally friendly technologies and invests in development of products with less environmental impact. Saarioinen expects positive attitude towards environmental responsibility also from its business partners and suppliers.

Saarioinen signed the Business Charter on Sustainable Development Principles for Environmental Management already in 1991.

Saarioinen Environmental Policy is built around four themes, precautionary and preventative actions, eco-efficiency, value chain responsibility and continuous improvement.

Implementation

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

Saarioinen has identified its environmental challenges and systematically works to prevent any negative impact on the environment. Saarioinen also aims to prevent accidents and to minimise any negative impact on the environment resulting from such accidents.

Saarioinen follows the principles of sustainable development. Saarioinen offers training and education to its employees to help them to understand the importance of environmental work and to learn to minimise the environmental impact.

Saarioinen applies eco-efficiency in all its development activities and continuously improves the material and energy efficiency of production and the energy efficiency of logistics. Saarioinen always seeks ways to utilise all by-products resulted from production.

The focus areas of Saarioinen's environmental work are material efficiency and energy efficiency. With an efficient sorting and recycling process Saarioinen has been able to reduce the amount of waste to landfill from 2250 tons per year in 2003 to 800 tons per year in 2012. Energy savings have been accomplished by e.g. heat recovery at production sites. The investments to energy efficiency have resulted to savings of 20 740 MWh per year from 2008 to 2013.

The food industry value chain is responsible for a large part of the total environmental impact in societies. Most of the impact is caused by primary production and the consumption of food products. The food industry works together to reduce its environmental impact using energy efficient ways of working and efficient recycling of packaging materials.

The food industry also utilises the production by-products and prevents the creation of waste with high quality package and product design. Sustainability and responsibility viewpoints are also taken into account when purchasing raw materials.

Saarioinen promotes the value chain responsibility by keeping suppliers informed about Saarioinen's environmental challenges and by ensuring that suppliers fulfil Saarioinen's requirements. Saarioinen favours suppliers who demonstrate genuine commitment to responsibility and sustainability.

Saarioinen participates in environmental projects aiming for improve the environmental performance of food industry. Saarioinen openly communicates about its role in causing environmental load in the value chain.

Protecting the environment and looking after the environmental safety in a part of Saarioinen's business mind-set. Saarioinen acts responsibly and continuously improves its environmental performance.

Measurement of outcomes

Description of how the company monitors and evaluates environmental performance

Environmental impacts at Saarioinen are regularly and systematically evaluated. The criteria for the evaluation include legal requirements and the severity of environmental impact and the frequency/duration/amount during normal activities.

Based on the evaluation the environmental goals and targets are set. Environmental programs ensure the implementation of the targets and goals through the organisation. The key environmental performance indicators are energy consumption, amount of waste to landfill, water consumption and waste water quality.

The group level production director and the site level factory director carry the responsibility regarding the environmental goals and targets. The group level quality director and the group level environmental manager act as professional advisors.

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Energy savings have been accomplished by e.g. heat recovery at production sites. The investments to energy efficiency have resulted to savings of 20 740 MWh per year from 2008 to 2013.

Saarioinen was the first food industry company in Finland to join the Energy Efficiency Agreement of the Confederation of Finnish Industries (EK) in 2007. By signing the agreement, Saarioinen made a commitment to improve energy efficiency by 9 % during 2008 – 2016. Investments targeted to production facilities based on energy analysis had the planned impact and the goal was reached ahead of time in 2013.

The first focus area for Saarioinen's environmental year 2014 is material efficiency. Material efficiency reduces the amount of waste and environmental impact and also results in cost savings.

At Saarioinen reducing the amount of waste is an important part of material efficiency. The amount of waste is reduced through a well-functioning self-monitoring system. The system also increases consumer trust and improves their perception of product quality.

Other means of reducing the amount of waste used at Saarioinen are meticulous handling and labeling of raw materials and semi-finished products, and ensuring the recipe and working instructions are carefully followed.

Communication to customers and consumers about how to avoid food waste is important for Saarioinen. In Finland 24 kilos of food per person is disposed of every year. Wasting food is bad for the environment and a waste of money.

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

In 2013 Saarioinen published the updated Ethical Principles at a training event targeted to supervisors and foremen. According to the Ethical Principles Saarioinen is committed to abiding the international and national laws and generally accepted operating principles. Saarioinen Ethical Principles are based on United Nations Global Compact initiative.

Saarioinen guidelines regarding giving and receiving gifts were drafted and approved by management and presented at an event targeted to management and supervisors in September 2013. The guidelines can be found on Saarioinen intranet pages.

Implementation

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

According to its Ethical Principles Saarioinen or its employees never give or receive money or gifts that could be interpreted as bribes. Saarioinen employees are not allowed to use their position, their access to information or company funds to pursue personal interests. Saarioinen sells and markets its products in an ethically sound manner and according to good business practices. Saarioinen treats its business partners in an equal and honest manner.

In June 2013 Saarioinen joined, as the first food producing company on Finland, The Supply Chain Initiative, a joint initiative launched by 7 EU level associations with the aim to increase fairness in commercial relations along the food supply chain. The Supply Chain Initiative is in line with Saarioinen's Ethical Principles.

The 7 EU level associations involved in the Initiative represent the food and drink industry (FoodDrinkEurope), the branded goods manufacturers (AIM), the retail sector (the European Retail Round Table (ERRT), EuroCommerce, EuroCoop and Independent Retail Europe), and agricultural traders (CELCAA).

The purpose of the Initiative is to promote fair business practices in the food supply chain as a basis for commercial dealings. It aims to generate a culture change through the commitment of signatories to fair trading practices coupled with measures aimed at integrating the principles of good practice into company day-to-day operations and at controlling their application.

The Initiative also aims to ensure that companies address disputes in a fair and transparent manner whilst reassuring the complainant that they will not be subject to retaliation.

Measurement of outcomes

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

Saarioinen has organised training based on the contents of the Supply Chain Initiative. The training has been organised to the customer and marketing management, sales personnel and to purchasing personnel.