



## **Corporate responsibility at Fazer**

**Fazer Group is committed to operating in a responsible manner. At Fazer, corporate responsibility issues are strategic and actively managed and measured as a part of the daily work. Fazer's corporate responsibility is guided by the Group's corporate responsibility policy and environmental policy, as well as the Group's governance practice and operating principles and ethical principles that are based on the ten principles of the UN Global Compact.**

### **Areas of corporate responsibility**

In order to manage the actions and to better measure progress, corporate responsibility is divided into six areas. Each area contains development needs and objectives, as well as policies and achievements. For Fazer, corporate responsibility means target-oriented management of the following areas:

- Responsible Business
- Responsibility and Consumer
- Responsible Human Resources
- Environmental Responsibility
- Responsible Sourcing
- Stakeholder Relations

In 2010, the objective is to establish Fazer's corporate responsibility programme based on these areas, and to define the concrete targets and indicators. Further information can be found in the corporate responsibility section of Fazer's Web site.

### **Corporate responsibility reporting**

Fazer publishes information about its corporate responsibility related events and improvements on its Web site and in the Annual Review. The reporting of corporate responsibility is developed in accordance with the GRI (Global Reporting Initiative). The aim is to extend the scope of Fazer's corporate responsibility indicators to cover all its countries of operation.

### **Corporate responsibility management and organisation**

In Fazer Group, the management of corporate responsibility is part of the normal management process and the Group President carries the ultimate responsibility. Corporate responsibility issues are addressed as a part of the Group's and the business areas' strategy processes, and the objectives and actions are implemented with the support of the normal management systems.

### **Responsible Business**

Planning, long-term focus and profitable growth are emphasised in Fazer Group's operations. Corporate governance forms the basis for management at Fazer. Fazer's values and detailed operating principles guide the daily work. In its business operations, Fazer Group abides by current legislation and its ethical principles. The Shareholders' Meeting of Oy Karl Fazer Ab is the company's highest decision-making body.

Fazer provides and supports economic wellbeing in its areas of operation. In 2009, Fazer paid 496 million euros in salaries and 18 million euros in taxes, purchased goods and services with altogether 871 million euros from 12,917 suppliers.

### **Responsibility and Consumer**

Passion for customer is one of the three corporate values of Fazer Group. In practice, Fazer's operations are impossible without the consumers' trust in the quality of products and services. In addition to the physical quality, the modern consumer demands responsibility, or the so-called ethical quality, from the product. The definition might mean different things for different consumers and it might also be emphasised in different ways. Typically, the environmental impacts of a product or service during its whole lifecycle attract interest as well as the working conditions of the people working in the production and supply chain.

Consumers are also interested in the safety and quality of products, product development, nutritional facts, packaging and labelling as well as marketing and consumer communication.

### **Environmental Responsibility**

The key environmental impacts of Fazer's production facilities and restaurants arise from by-products and waste from raw materials, products and production as well as from emissions caused by the use of energy and discharge of waste water.

#### **Eutrophication**

In the Baltic Sea region, the greatest environmental impact caused by food production is the eutrophication of water ways and water bodies. Fazer can contribute to the decrease of the eutrophication causing nutrient load to the Baltic Sea by favouring sustainable farming and raw materials. It is important that the nutrient load of the waste water from the production facilities is minimised even though the waste water is treated in municipal waste water treatment plants.

#### **Climate impact**

About 20 per cent of the climate impact caused by a single person in one day is due to food. The greatest climate impact of production facilities comes from the use of energy, creation of organic waste and transportation. The most important objectives of the bakeries and confectionery business area focus on improving the energy efficiency of production, decreasing the amount of production waste and optimising the use of materials and water.

With the Lean project of Fazer Bakeries Finland, the amount of production waste has decreased by 35 per cent. In 2009, 50 per cent of the electricity bought by Fazer Confectionery was produced with renewable energy sources or so-called green electricity. The plan is to further increase the share of green electricity in the Group's electricity purchases. In Finland, Fazer Bakeries and Fazer Confectionery have signed the Energy Efficiency Agreement of the Confederation of Finnish Industries (EK) that aims to improve energy use efficiency by nine per cent by 2016. Read more about the environmental actions of Fazer Bakeries on page 24.

In Finland, Fazer Food Services and the think tank Demos Helsinki collaborate on the Sitra (the Finnish Innovation Fund) funded 'Peloton' project. The aim of the project is to promote the move towards a low carbon society by activating people to make environmentally friendlier choices in their everyday life. Read more about the 'Peloton' project on page 25.

#### **Biodiversity and water balance**

Fast changes of climate threaten biodiversity as organisms have a limited ability to adapt when it comes to fast and big changes in their living environment. The year 2010 is the International Year of Biodiversity and it aims to, for example, increase awareness about the significance of biodiversity.

While carbon footprint has been in the public eye for a while, the use of water or water balance is becoming a topic of more debate. The smallest water footprints of food products are between a few hundred litres and one thousand litres per kilogram of raw material, medium-sized water footprints are between one thousand and five thousand litres, and large water footprints are around 10,000 litres. In the Baltic Sea region, we have enough fresh water – for now.

Some of Fazer's production sites are located in, or close to, classified groundwater areas. The protection of groundwater is part of Fazer's environmental work, and it aims to ensure the availability of high-quality fresh water also in the future.

### **Environmental systems**

In the beginning of 2010, Fazer Food Services Finland, Fazer Confectionery and Fazer's Swedish Lidköping and Russian Smolenskaya, Murinsky and Zvezdny bakeries had ISO 14001 certified environmental management systems. The aim in 2010 is to certify all the operations of Fazer Bakeries Finland to the ISO 14001 standard.

### **Stakeholder relations**

The most important stakeholders

The most important stakeholders for Fazer are the owners, personnel, customers, consumers, suppliers of products and services, authorities and the society as well as various organisations and the media. Since the expectations and points of interest of the stakeholders vary, each stakeholder group requires a different approach. In the end of 2009, the Group initiated a project to find out and to better understand what Fazer's stakeholders' views on Fazer are and what they are expecting from Fazer. The aim of the project is to improve the management of Fazer's stakeholder relations.

Owners and personnel

The matters important to owners include cultivating the value of Fazer and its values as well as the long-term development and financial success of the company. The well-being and job satisfaction of the personnel are the lifeblood of a successful company. People want to work at a company that cares about employee well-being and provides opportunities for learning and development. Read more about personnel on pages 28–31.

Customers and consumers

Fazer engages with customers in the normal business operations and also in various co-operation and development projects. Customers expect Fazer to provide profitable long-term co-operation and high-quality products and services. The customers are also increasingly interested in information about the origin of products and the responsibility of the whole supply chain. Consumers expect Fazer to provide tasty products and high-quality services. The number of consumers interested in health, nutrition and corporate responsibility is increasing.

Suppliers of products and services

The suppliers of products and services expect Fazer to be a long-term and trustworthy partner as well as to provide a possibility to increase their business.

Authorities, organisations and the media

The authorities' requirements are mostly related to abiding by legislation. Meanwhile, the expectations of the society from companies, including Fazer, are constantly increasing. Provision of jobs and payment of taxes are still significant basic functions of a company in a society. In addition to abiding by legislation, organisations and other opinion leaders actively participating in social discussion demand active measures from companies. Companies are expected to, for example, protect the environment and improve the responsibility of the supply chain. The players in the media field expect Fazer to communicate in an open, fast and reliable manner.

### **Responsible sourcing**

Ethical principles guide the everyday work

Fazer Group abides by current legislation in all its countries of operation. Fazer operates in a responsible manner and expects the same from its partners. Fazer Group has ethical principles covering all business areas and operating countries.

Responsibility in the supply chain

As part of its corporate responsibility, Fazer monitors the quality and origin of the materials and ingredients it uses as well as the overall responsibility of the supply chain. Fazer's centralised sourcing organisation is responsible for the sourcing of raw materials for the entire Group. Suppliers also sign separate sourcing contracts specifying the quality requirements for raw materials, products and services supplied.

Since the 1990s, Fazer has used a systematic process to collect information on its suppliers prior to selection and approval. Auditing a potential supplier is part of the process. The purpose of the audit is to assess the level of the supplier's performance regarding production, quality and environmental issues. During 2009, the biggest suppliers were sent a separate questionnaire on corporate responsibility in addition to the regular supplier surveys. The unsatisfactory answers were discussed in more detail with the supplier, and follow-up procedures were agreed together.

In future, corporate responsibility related questions will be a part of the normal supplier approval process. By the end of 2009 the answers to the questionnaire received from the suppliers covered 45.3 per cent of the total volume of purchases.

### **Palm oil**

Most of the palm oil used by Fazer is in vegetable oil mixes. Pure palm oil is used only in small amounts. Fazer Group is aware of the environmental problems connected to the production of palm oil. To support the sustainable production of palm oil, Fazer has made a decision to completely convert to the RSPO certified palm oil by the end of 2012. The conversion will be gradual and a prerequisite for the conversion is the availability of certified palm oil. Fazer Group will also become a member of the Roundtable of Sustainable Palm Oil (RSPO). Fazer Confectionery has been a member since 2005.

### **Fish and fish products**

Fazer Food Services requires the suppliers of fish products to provide written and specified information on the country of origin and the fishing area of fish products. Fazer Group and Fazer Food Services are aware of the problems related to fishing and fish culture. The fish strategy of Fazer Food Services business area was updated in autumn 2009. The update of the fish strategy aimed to deepen the understanding further, to ensure sustainable solutions and to better address the environmental and responsibility issues related to sourcing.

## **Cocoa**

Fazer produces chocolate from refined cocoa products purchased from European suppliers. The raw materials for the refined cocoa products, cocoa mass, cocoa powder and cocoa butter, are imported from Ecuador and West Africa. At the start of 2010 Fazer updated its cocoa sourcing strategy specifying the criteria for the responsible sourcing of cocoa. Developing traceability and following the principles of the World Cocoa Foundation: profitability, people's well-being and caring for the environment form the basis for the cocoa strategy.

In line with the strategy, Fazer will continue the systematic work to improve the responsibility of the cocoa procurement chain. Fazer aims to increase the share of cocoa grown according to Fazer's principles of sustainable cocoa farming by 10–15 per cent per year, depending on availability and market situation. The goal is to only use cocoa that fills Fazer's requirements by 2017