



Fazer Group's Corporate Responsibility Review 2016



Welcome to Fazer's Corporate Responsibility Review

Fazer's Corporate Responsibility Review 2016 describes Fazer's ongoing work to develop its businesses and operations in a sustainable manner, with attention to the social and environmental impact of the Group. This review provides information about Fazer's stakeholder engagement, research cooperation, social initiatives and environmental commitments. It shows Fazer as a part of the community, creating value for shareholders, employees, suppliers, customers and consumers, as well as for society as a whole.

The report first introduces Fazer's approach to corporate responsibility and then goes on to describe the goals, accomplishments and challenges within the five areas of the Group's Corporate Responsibility Programme: Running business, For health and well-being, People matter, Fair value chain and Part of the environment.



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Focus on food

After celebrating Fazer's 125th anniversary, it is a good moment to look back on the steps taken. It is also important to consider the road ahead of us: how do we exceed our customer expectations in the future? As a food company, we need to understand the role of food and the megatrends which affect it, from raw material availability to changing dietary habits. Based on that understanding, we can improve the ways in which we produce and consume food. Economic, environmental and social impacts from food occur in the cultivation and production phase, while households influence through their dietary choices. Food matters.

The United Nations' 2030 Agenda, which includes 17 Sustainable Development Goals, will shape national development plans over the next 15 years. Whether it is combating climate change, supporting sustainable consumption habits, ending poverty or protecting biodiversity on land and in the seas, food and agriculture are at the very core of the 2030 Agenda. Food is on the agenda also in the European Commission's Circular Economy Package, in which food waste prevention is an integral part. The package aims to stimulate Europe's transition towards a circular economy, which could boost global competitiveness, foster sustainable growth and generate new jobs.

The core of Fazer's corporate responsibility is the responsible offering, which supports people's everyday well-being, sustainable use of the planet's resources and shared value in society. We focus on food and we invest in the development and renewal of our business as well as in research. People's expectations will change, and our

products need to be future-proof in order to meet them – whether they involve new snacking solutions or increased demand for plant-based foods. While renewing our business, we continue to work with quality, food safety, the environment and occupational health and safety in everything we do.

In 2016, we took important steps in our work. Fazer Confectionery increased the share of responsible cocoa in 2016 to 85 per cent and in the beginning of 2017 to 100 per cent. Fazer Food Services managed to decrease food waste and trained chefs on vegetable use. Fazer Bakery developed a technological innovation for producing low-FODMAP rye bread and launched new healthy breads. In WWF's Palm Oil Buyers Scorecard 2016, which measures palm oil purchase sustainability, Fazer received full points. Unfortunately, despite all our efforts, we did not reach our target for occupational safety. Our work continues.

With this report, we express Fazer Group's continued support for the UN Global Compact and renew our commitment to the initiative.

Christoph Vitzthum

President & CEO
Fazer Group



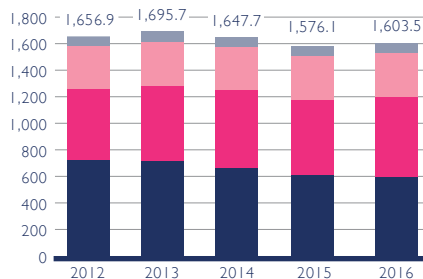
WE SUPPORT

Group overview

Fazer is an international family-owned company established in 1891. Fazer's mission is to create taste sensations. Fazer's operations are based on the company's values: passion for customer, quality excellence and team spirit.

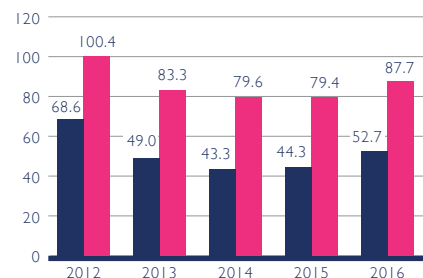
14,876
Employees

NET SALES, M€



■ Fazer Bakery
 ■ Fazer Confectionery
 ■ Fazer Food Services
 ■ Others

OPERATING PROFIT, M€



■ Operating profit
 ■ Operating profit before amortisation of goodwill

Fazer Bakery



Fazer Confectionery



Fazer Food Services



Business areas and units

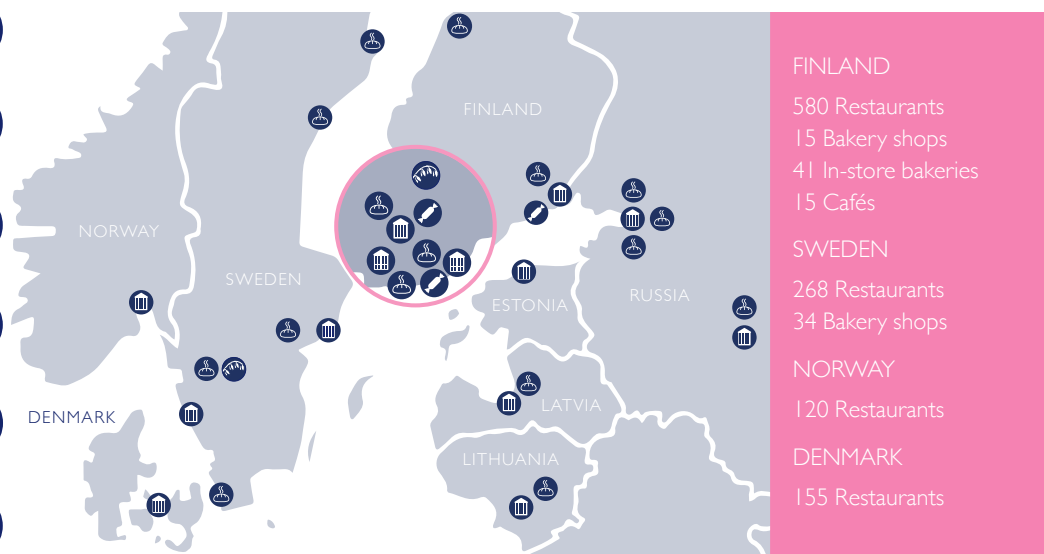


Fazer Mills



Fazer Cafés

- Fazer Bakery
- Fazer Confectionery
- Fazer Food Services
- Fazer Mills
- Fazer Cafés
- Offices



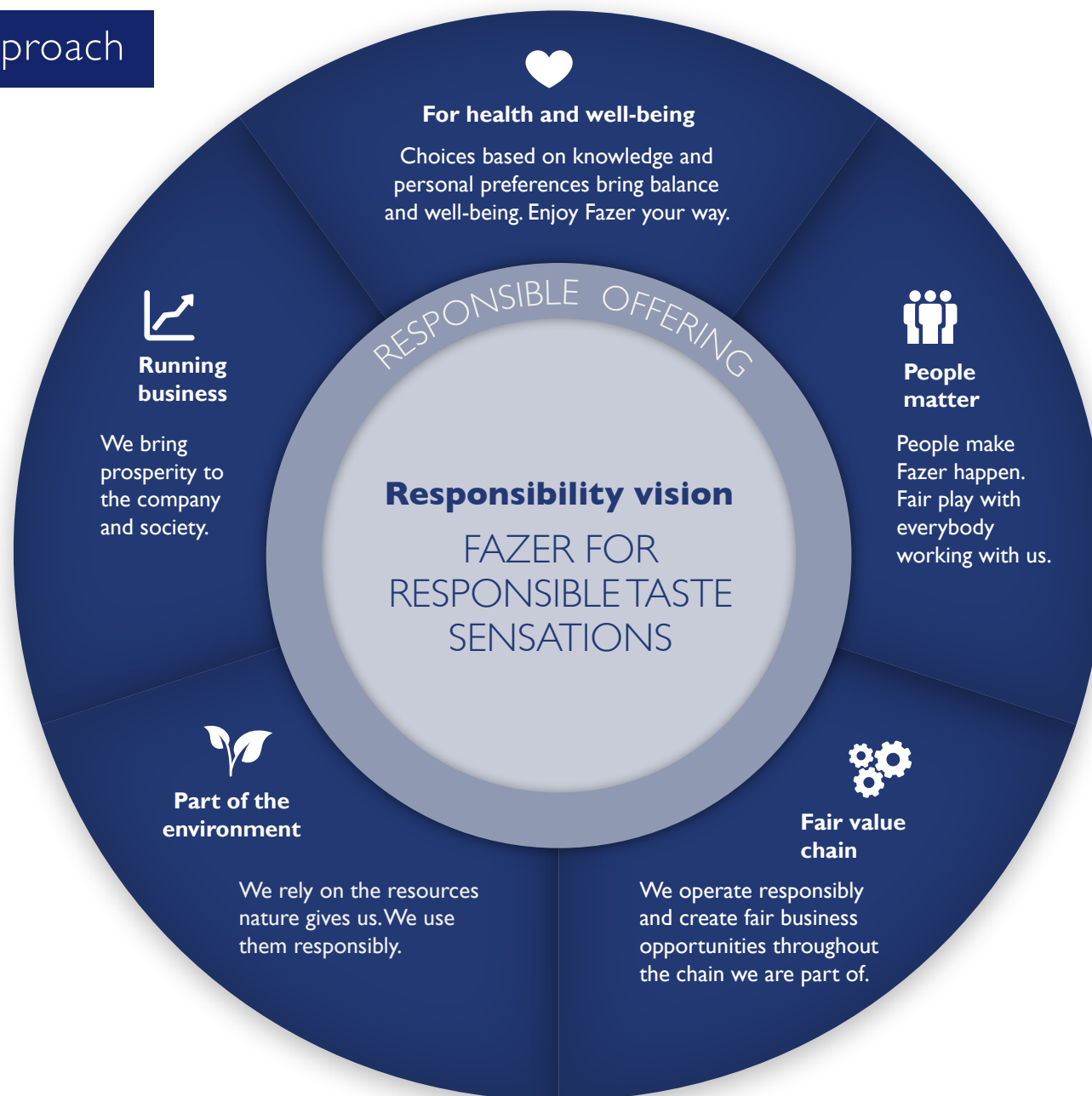
Fazer's corporate responsibility approach

How we grow, produce and consume food has a significant impact on the environment and on society. Fazer's corporate responsibility vision is to create responsible taste sensations. The Group strives to improve people's everyday well-being and increase the sustainable use of the planet's resources. Fazer offers people a variety of products and services that enable them to choose a healthy and sustainable lifestyle. With its persistent sustainability work, Fazer has earned a reputation as a responsible company, which increases the Group's brand value.

Corporate responsibility is embedded in Fazer's corporate culture and identity. It is part of everyday work in Fazer's businesses and it is acknowledged in business development within the Group. Securing long-term business profitability is the basis for Fazer's corporate responsibility strategy.

Responsibility enhances profitability. It helps Fazer to reduce costs through the effective use of resources. A focus on well-being can increase productivity in the workplace and help Fazer to attract new talent. Close cooperation and the Group's responsibility programme help Fazer identify and mitigate risks related to raw material sourcing and ensure the availability of raw materials in the long term.

United Nations' 17 Sustainable Development Goals (SDGs) aim to end poverty, fight inequality and injustice and tackle climate change by 2030. Companies are encouraged to participate in reaching them. As an internationally operating food company, Fazer recognises its possibilities and role in promoting these goals, many of which coincide with the company's own sustainability goals. In 2016, the Group has carried out a preliminary assessment of how its current responsibility activities contribute to the realisation of the SDGs.



Business specific focus areas

Fazer Group has shared corporate responsibility goals towards which its business areas and units work with their own responsibility actions. Each business has certain focus areas that they emphasise in their strategies.

Fazer Confectionery's primary area of corporate responsibility is the sourcing of responsibly produced, quality cocoa. The goal is to ensure the responsible production and traceability of the cocoa sourced by Fazer, as well as to ensure that the working conditions are acceptable throughout the value chain and farming practices are environmentally sustainable. In the beginning of 2017, Fazer reached an important goal in its cocoa vision: now 100 per cent of its cocoa is responsibly produced.

Fazer Food Services places great emphasis on providing responsible food services for restaurant guests. Fazer aims to increase the use of vegetables and decrease meat consumption in order to provide healthy food as well as to reduce environmental impacts. Fazer Food Services works continuously to reduce food waste and incorporate seasonality into its offering.

Fazer Bakery and Fazer Mills focus strongly on sustainable farming. Fazer has developed a Grain Vision to promote best agricultural practices and reduce the nutrient load generated by farming. The Group engages in active cooperation with farmers in order to develop more sustainable practices that benefit the farmers as well as Fazer itself.



Fazer Bakery

Highlights 2016

- Launched healthy breads: e.g. Fazer Root Vegetable Bread and bread for sensitive stomachs
- Developed a technological innovation for producing low-FODMAP rye bread
- Finalised the Fazer Grain Vision – Sustainable Grain Farming Principles
- Improved work safety with e.g. Safety Engineering Programme

Way forward 2017

- Launch new products that support well-being
- Further develop and implement the Fazer Grain Vision
- Continue to develop resource efficiency with waste reduction and energy efficiency targets

Key goals

- Continued expansion of healthy product offering
- Continuous development of sustainable farming and supporting domestic farming
- Resource efficiency and reduction of production waste

Fazer Confectionery

Highlights 2016

- Increased share of responsible cocoa to 85%
- Conducted Human Rights Impact Assessment
- Used 92% Segregated palm oil for confectionery products (8% RSPO Mass Balance or RSPO Book & Claim)
- Improved work safety 34% (LTAF) from previous year

Way forward 2017

- Reached 100% responsible cocoa at the beginning of 2017; continue development of direct programmes with cocoa farmers
- Review Fazer's Commitment to Responsible Palm Oil
- Continue to develop resource efficiency with waste reduction and energy efficiency targets
- Continue to improve work safety

Key goals

- Constantly improving the traceability and responsibility of raw materials
- Advocating portion control and informed decisions
- Continuous development of material efficiency
- Continuous development of work safety

Fazer Food Services

Highlights 2016

- Organised waste campaigns to reduce storage and display waste as well as plate waste
- Created Nudging Handbook to help restaurants increase vegetable consumption
- Increased the number of vegetarian recipes as part of the More Greens initiative
- Fazer Food Services' first units in Sweden were certified to ISO 9001 quality management standard

Way forward 2017

- Continue efforts to reduce waste in every stage of the value chain
- Strengthen efforts to promote vegetables to increase share of greens
- Improve work safety in restaurants

Key goals

- Continuous efforts to increase the share of vegetables
- Continuous development of waste prevention
- Advocating a balanced diet that supports well-being
- Ensuring food quality and safety through traceability of raw materials

Corporate responsibility management at Fazer

Corporate responsibility is an integrated aspect of all Fazer's activities. The roles and responsibilities of the corporate responsibility team, network and leadership forum have been clearly defined, and the ultimate responsibility lies with the Board of Directors and the Group Management Team.

Fazer's corporate responsibility work is guided by the Corporate Responsibility Policy, the Human Rights Policy, the QEHS Policy, governance practice, operating principles and the Ethical Principles, which are based on the ten international principles of the UN Global Compact.

Fazer Group has signed the UN Global Compact initiative. In addition, specific policies guide Fazer's operations, for example, in marketing, HR, and anti-bribery and competition law compliance. In 2016, Fazer published a new Group-wide QEHS Policy and the Group's new QEHS long term plan.

Managing corporate responsibility

BOARD OF DIRECTORS

Approves ethical principles

GROUP MANAGEMENT TEAM

Approves policies and objectives

Group President: ultimate responsibility

Group's SVP of Communications and Branding: responsible for corporate responsibility

HEAD OF FUNCTION

Approves instructions

BUSINESS AREAS AND BUSINESS UNITS

Implement corporate responsibility programme, strategic outlines, and set targets and objectives

Set corporate responsibility focus areas

Follow instructions, practices and operating models

CORPORATE RESPONSIBILITY TEAM

Develops corporate responsibility vision, strategy and programme, and supports its implementation

Corporate Responsibility Leadership Forum

Ensures alignment within the Group; defines Group-level strategies, policies, guidelines, targets and positions

Assesses, monitors and develops corporate responsibility topics within the Group

Ensures the agreed actions are implemented

Escalates and prepares issues to the right decision forums

Corporate Responsibility Network

Ensures corporate responsibility alignment within Fazer Group

Ensures the effective use of resources

Shares the knowledge, know-how and market views in different countries and businesses

Transparent communication and stakeholder engagement

An active and continuous dialogue with all stakeholders – from customers and consumers to shareholders, employees and suppliers – is of the utmost importance to Fazer. It helps Fazer to identify local and global trends, keep up

with regulatory and political changes and establish a strong relationship based on transparency and trust. As a part of people's everyday lives and of the society at large, Fazer values greatly the feedback it receives from its stakeholders.

Fazer has identified its most important stakeholder groups and has outlined several engagement methods.

STAKEHOLDER	CHANNEL OF DIALOGUE
Consumers	Customer service, surveys, restaurant and café materials, websites, social media, packaging, visits
Customers	Meetings and cooperation, newsletters, customer feedback systems, customer events, websites, social media
Shareholders	Regular contact, meetings and events, Annual Review, Corporate Responsibility Review, tertiary reports, website, extranet
Employees	Performance Management Process, continuous communication between managers and employees, induction, training, occupational health and safety management system, personnel events, personnel surveys, Fazer Way Helpline, intranet and other internal channels, theme days, Corporate Responsibility Review
Suppliers	Meetings, contracts, supplier requirements, supplier assessments, follow-up actions, partnerships, research, continuous collaboration between sourcing managers and suppliers
NGOs and local communities	Memberships, partnerships, joint projects and initiatives, websites, social media, questionnaires, Corporate Responsibility Review
Universities and research institutes	Partnerships, joint R&D projects, knowledge sharing, donations, thesis and job opportunities for students, lectures, excursions
Healthcare professionals	Knowledge sharing, events, lectures
Media	Media releases and events, interviews, websites, social media, visits
Authorities and governments	Regular contact, meetings, memberships, seminars, work groups
Start-ups	Opportunities and support through Vertical Accelerator and hackathons

Partnerships and sponsoring

Shared partnerships

- Baltic Sea Action Group
- Cooperation with WCF to support the Biéby village in Ivory Coast
- EAT cooperation

Finland

- SOS Children's villages
- Nenäpäivä charity campaign
- Ketjureaktio bicycling campaign with the Finnish Red Cross
- Lasten Liike
- Pro-Baltic Sea carbonated spring water company Dropp
- Research support to University of Helsinki and Hanken
- Support to refugee centres
- Cooperation with WWF Finland to protect biodiversity
- Food aid: Veikko ja Lahja Hurstin Laupeudentyö, Vantaan ruoka-aputerminaali, Tampereen RuokaNysse
- I25 Opportunities for Working Life initiative together with Helsinki Deaconess Institute

Sweden

- Campaign to support SOS Children's villages' work in Ecuador
- Stockholms Stadsmission
- Pink Ribbon and the Breast Cancer fund

Latvia

- Cooperation with Ogre, Kegums, Lielvarde and Ikslile municipalities to donate bread for families and elderly people with low income
- Donating bread to Latvian Red Cross shelter Gaizins
- Latvia Olympians Social Fund

Lithuania

- The Order of Malta Relief Organisation

Russia

- SOS Children's villages
- Sport Orienteering Program for Schools
- Charity events in the Russian Museum and the Hermitage for children with disabilities
- Donating bread to NGOs (Red Cross, etc.), and social care centres

Estonia

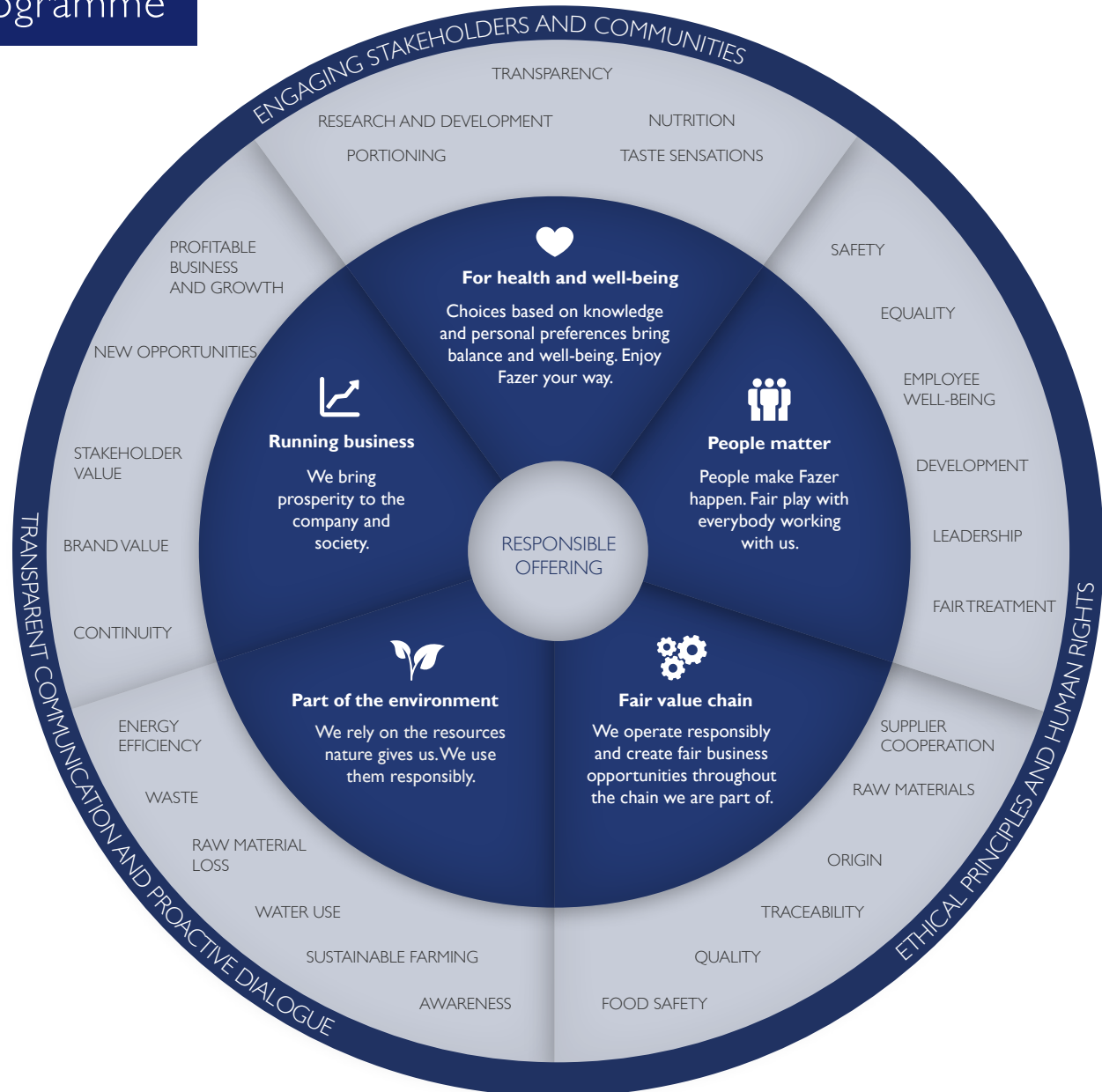
- Estonian Association of Big Families



Fazer's corporate responsibility programme

Fazer's corporate responsibility vision, strategy and programme are based on a thorough assessment of stakeholder views and on a deep understanding of the evolving demands of consumers as well as the Group's business strategy. The corporate responsibility programme is structured around five strategic focus areas, which guide the company's operations:

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



Running business



Fazer creates prosperity for the company, stakeholders and the society

Goals:

- Secure profitable business and growth
- Identify new business opportunities and savings potential via corporate responsibility
- 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

Business and corporate responsibility are developed hand in hand

Corporate responsibility is an integral part of Fazer's businesses, and the development of sustainability and business go hand in hand. A business focus in corporate responsibility matters ensures continuity: when the company is growing profitably, it has the resources to invest in social and environmental engagement. In a changing business environment, stakeholder expectations regarding global goals and challenges are higher than before. Keeping the business vital is a prerequisite for reaching those goals and overcoming challenges.

Achievements in 2016:

- Human Rights Impact Assessments carried out in the Group and Fazer Confectionery
- Two recognitions for corporate responsibility work in Russia
- Third place in Finland's Reputation and Trust survey; positive development of reputation in Sweden and Russia
- Economic Value Added was 634 M€
- Return on equity was 7.6 per cent, a 57.2 per cent increase from 2015
- Paid 43 M€ in taxes and 115 M€ in employer's contributions; collected 156 M€ of VAT, payroll and other taxes
- Active stakeholder dialogue

Fazer regards corporate responsibility work as not only a responsibility but an opportunity as well. Corporate responsibility is not a separate goal; it is a part of everyday business, contributing to the Group's brand value as well as its profitability. All the business units have their own CR plans, which are based on the areas most relevant to their business focus, and these are implemented in daily work.

Dialogue with stakeholders – from shareholders to employees, consumers, decision-makers and suppliers – is a



natural part of today's business, and is becoming increasingly important. Fazer believes in openness, and will continue to increase the transparency of its operations. Fazer's dialogue with decision-makers has been constructive and the role of regulation is, naturally, important in the food industry. Sustainable development is effectively promoted by companies also on a voluntary basis.

Responsibility ensures availability of key raw materials

Reconciling between cost management and corporate responsibility is not a simple matter. The cost of many raw materials is increasing, but the consumer is not prepared to pay more for products. Responsible sourcing is, however, the best way to secure the availability of high-quality raw materials in the long run. Fazer continuously develops its material efficiency and strives to reduce waste. Cost savings can also be achieved through energy efficiency. More information on sourcing can be found in the Fair value chain section on page 28, and more on waste reduction in the Environment section on page 33.

Reputation on excellent level

In 2016, the company's reputation remained on a high level in Finland and saw positive development in Sweden and Russia. In Finland, Fazer reached third place in the Reputation and Trust survey, improving from its fifth position in 2015. Fazer holds an esteemed and cherished position among Finnish consumers, for whom the brand has been a part of life from childhood.

Ethical business operations

Fazer's ethical principles are based on the company's values and on the UN Global Compact, and they guide the daily

work of every Fazer employee. Fazer signed the UN Global Compact initiative in 2012 and is committed to following its principles on human rights, labour standards, environment and anti-corruption. Fazer has established separate policies for different topics within the ethical principles. All employees are required to familiarise themselves with the policies and guidelines that affect their work, and supervisors must assist to ensure that they are understood and taken into daily work.

Fazer's Compliance function ensures that monitoring obligations are fulfilled. Cases of misconduct can be anonymously reported to supervisors, policy owners, HR, Risk Management, Group Legal or Group CEO, depending on the case. The Fazer Way Helpline is a confidential telephone and web service through which non-compliance can be reported anonymously 24 hours a day.

During 2016, two new potential cases came via Fazer Way Helpline. Both cases were recorded and investigated by the Group's Compliance and Security functions. The cases were related to conflict of interest, disrespectful behaviour at work, theft, noncompliance with internal regulations and safety instructions. One internal investigation is still ongoing; the other case has been investigated internally and the necessary measures have been taken.



Stakeholder statement:
A pioneer in corporate responsibility enjoys stakeholders' support

What is it that makes corporate reputation so important? The answer is the outcome of a good reputation: stakeholder support. It is clear that Fazer's management understands the causal relationship between reputation and stakeholder support. The company measures, understands and manages reputation and its business impact in an exemplary manner.

At T-Media, we analyse the business impact of reputation. We know that perceptions related to corporate responsibility are the second strongest reputation driver for buying or recommending products and services. Only perceptions related to the price-value relationship are stronger. Our view is that Fazer does pioneering work in enhancing its corporate responsibility. This naturally decreases reputation risks, but it is also an excellent opportunity to gain even stronger stakeholder support as the company communicates its outstanding efforts and achievements in this area.

Riku Ruokolahti
Development Director, T-Media Oy

United Nations' goals and principles in focus

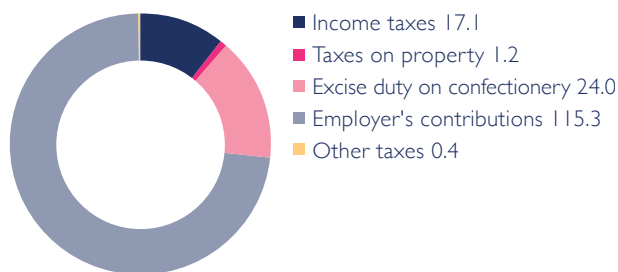
In 2016, human rights were in focus globally and the United Nations Guiding Principles on Business and Human Rights (UNGPs) were actively discussed. Fazer participated in roundtable discussions regarding the topic and carried out Human Rights Impact Assessments concerning Fazer Group and Fazer Confectionery. Fazer recognised food safety and the health and safety of personnel as the most relevant areas to its operations. In 2017, assessments will be targeted on Fazer Food Services' Headquarters and in Fazer's operations in Russia.

United Nations' Sustainable Development Goals, or SDGs, are a major development in global sustainability work. In 2016, Fazer assessed its current ways of contributing to the realisation of SDGs. Fazer sees the role of corporations as an important one, as they hold an influential position in society and can participate in steering it into a more responsible direction. Food plays a major part in many of the goals, from reducing environmental impacts to establishing food security and improving health.

Consistent QEHS work supports all responsibility efforts

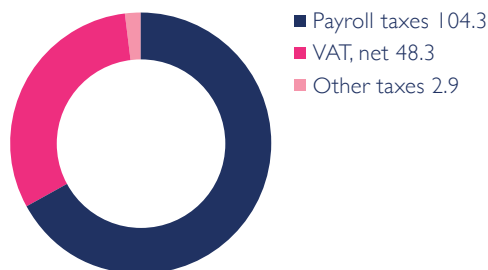
While Fazer has many different programmes concentrating on different aspects of responsibility work, at the core of it all is consistent and persistent QEHS work, which goes on every day. Quality, environmental impact, health and safety are all matters of focus at all Fazer's sites. They form a solid basis for creating shared value and continue to be developed further on the Group level as well as in the businesses.

TAXES BORNE AND EMPLOYER'S CONTRIBUTIONS, M€ *)

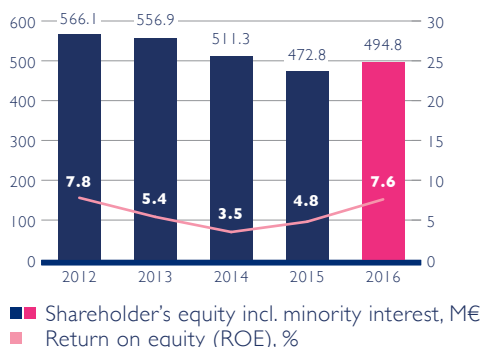


*) Insurance taxes and energy taxes not included.

TAXES COLLECTED, M€



SHAREHOLDER'S EQUITY AND RETURN ON EQUITY



Case:

Recognitions in Russia for social responsibility and transparency

In 2016, Fazer was chosen by Delovoy Peterburg, an influential Russian daily business newspaper, as the most transparent company of the year. Delovoy Peterburg awards the most effective companies that operate in Russia and contribute to St Petersburg's image as an industrial centre.

In addition, Fazer's work with corporate social responsibility was recognised by the American Chamber of Commerce in Russia. On 13 April 2016, Fazer Russia's Managing Director Vladimir Kalyavin received AmCham's Corporate Social Responsibility Award.

Fazer is committed to advancing corporate responsibility in Russia.

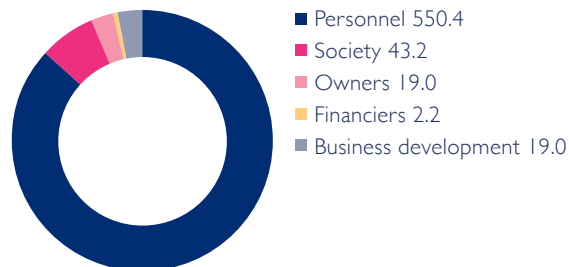
Fazer creates stakeholder value

Fazer contributes to society in several ways. It is an employer, a taxpayer, a purchaser of goods and services and a partner for many organisations and institutions. In 2016, Fazer employed 14,876 people in eight countries. The Group purchased 893 million euros worth of goods and services from 8,707 suppliers, and paid 43 million euros in taxes. During the year Fazer paid 550 million euros in salaries, wages and other indirect employee costs. Fazer's investments in 2016 amounted to 86 million euros, including the construction of the Fazer Experience visitor centre in Vantaa, Finland, and the expansion of the oat mill in Lahti, Finland.

Circular economy

With environmental concerns gaining increased attention especially in Europe, circular economy has become a major trend. Businesses are investigating innovative ways to recycle and reuse materials more efficiently. Fazer sees the trend as an opportunity for increased cooperation between companies and organisations. The company applies the ideals of circular economy by, for instance, directing the organic waste it produces to biogas production.

DIVISION OF ECONOMIC VALUE, M€



The way forward

- Securing the long-term continuity of the business
- Understanding the global risks and mitigating their impacts by acting in a sustainable manner
- Continuing active stakeholder dialogue
- Identifying new business opportunities that support sustainable development
- Continuing the work with human rights: development of the grievance and remediation processes
- Identifying cost saving possibilities via corporate responsibility work
- Deepening the understanding on the UN SDGs and Fazer's contribution in the realisation of the goals



Stakeholder statement:
Sustainable development creates new opportunities

The 2030 Agenda for Sustainable Development was accepted at the United Nations' Sustainable Development Summit in September 2015. The aim of the Agenda 2030 is to guide global development to a path where people's well-being and human rights, economic wealth and societal stability are secured in an environmentally sustainable way. In Finland, this agenda is being put into action through the Society's Commitment to Sustainable Development, among others.

More than 350 different parties have already joined the commitment and almost 100 of them are companies – like Fazer. The Agenda 2030 can be seen as a guideline for companies, helping them take sustainable development into action. We no longer talk about aiding developing countries. Instead, the aim is to create new business from the challenges of sustainable development.

To achieve our sustainability goals, we need the private sector. The Agenda 2030 allows companies to assess their operations and report it in a way that everyone understands. It also helps to identify business opportunities, markets and new partnerships. Companies can trust that these goals will remain on the agendas of the world's governments for a long time.

Marja Innanen
Deputy Secretary General, National Commission on Sustainable Development

ECONOMIC VALUE GENERATED AND DISTRIBUTED, M€			2016	2015
ECONOMIC VALUE GENERATED:				
Customers (net sales, other operating income, financial income, sales of assets)			1,613	1,589
Suppliers				
Direct purchases		-562	-553	
Indirect purchases		-331	-335	
Operative investments		-86	-60	
Added value		634	640	
ECONOMIC VALUE DISTRIBUTED:				
Personnel (salaries, wages and other indirect employee costs)		-550	-538	
Society (taxes and donations)		-43	-42	
Owners (dividends)		-19	-32	
Financiers (interest and other financial expenses)		-2	-2	
Economic value retained in business		19	26	

For health and well-being



A balance of healthy nutrition and moments of indulgence

Goals:

- Develop responsible offering
- Transparently communicate with consumers and other stakeholders about topics related to health and well-being
- Participate in studies on food, health and sustainability

Feeling good about your choice

As the health trend continues and gains more momentum, changes in consumer habits are affecting the entire food industry. Consumers' desire to improve their well-being is reflected in their lifestyles and eating habits. Fazer is a food company that serves hundreds of thousands of lunch guests every day and provides food products in cafés, restaurants and shops, and thereby regards the health trend as an opportunity to offer balanced and nutritious choices to consumers. Balance is the source of well-being, and people want to have a balance of pleasures in life; moments of indulgence also form part of a balanced diet. In 2016, Fazer published its approach and principles to promote a balanced diet.

Fazer recognises the worldwide problem of increasing obesity and wants consumers to be able to make informed individual decisions about their food choices – and feel good about them. The company makes this possible by providing accurate and comprehensive information about the ingredients, nutritional content and portion sizes of

Achievements in 2016:

- Published Fazer's approach to a balanced diet
- Launched the Fazer Brainhow programme to examine the connection between nutrition and cognitive ability
- Published long-term research and launched the innovative low-FODMAP rye bread
- Created Nudging Handbook to help restaurants increase the share of vegetables
- Introduced new bread products and the Baked Health thumb symbol, denoting benefits to well-being, to respond to the health trend
- Piloted and developed further the Lasten Liike exercise initiative for school children

products. Fazer Confectionery has also introduced smaller packaging sizes to control the portion size of sugary treats. Enjoyed in moderation, chocolates and sweet pastries can be a part of a wholesome diet.

More vegetables, less meat through nudging

Fazer wants to encourage consumers to make healthy and sustainable choices. Increasing the share of vegetables

impacts both consumers' well-being and the environment. During 2016, Fazer Food Services continued the More Greens initiative with several activities. Training material was developed to enable full implementation and training was offered for chefs. New delicious vegetarian recipes and vegan options were created. A More Greens campaign was conducted in Fazer Food Services' restaurants. The number of vegetarian recipes was increased in the menu database. The share of vegetables out of all raw materials used in Fazer Food Services in 2016 was 38 per cent.



In 2015, Fazer piloted a nudging initiative in Sweden and Finland. Nudging is based on gently influencing consumer choices by changing, for example, buffet design and the presentation of dishes. The customers' choice is not limited, as the menu remains the same; lunch guests are merely guided to a healthier direction.

The learnings from the successful pilots are useful for future concept development as well as for building valuable competencies for continued responsibility work. Based on the experiences, Fazer created a nudging handbook to guide restaurant managers in inspiring customers to make good choices.

All about oats

Oats were one of the most popular super-foods of 2016, sparking interest among consumers as well as food producers. The nutritious grain is easy on the stomach, tasty, and has versatile applications. Fazer sees many possibilities in the popular ingredient and invested strongly in oats. The Group acquired the Frebaco mill in Sweden and increased the production capacity of the oat mill in Finland. Fazer Mills in Sweden and Finland have engaged in product development cooperation with universities in order to expand the oats offering, and their combined knowledge on Nordic oats has produced innovative results.

To complement its more traditional oat products, Fazer developed value-added oat derivatives – oat beta-glucan, oat oil and oat protein – for the global market. The new products can have completely novel applications in various products from drinks to cosmetics. Today, over half of Fazer's net sales from oats come from exports to 30 countries, and the new oat products have the potential to open new markets for Fazer.

Fazer Brainhow – food solutions that nourish the mind

In spring 2016, Fazer launched Fazer Brainhow, a research and business development programme that examines the effects of nutrition on cognitive capacity. The well-being of the brain matters not only on an individual level, but on a societal one; as the pace of working life becomes faster, the increased amount of information that needs to be processed quickly can burden the brain. Fazer wants to find out how to reduce that burden. The programme looks into different nutrition-related solutions that can support cognitive performance and brain health in different stages of life.

In 2016, the Fazer Brainhow programme focused on research, market analyses and cooperative development. Fazer organised the Fazer Brainfood Hack, an international event that brought together teams of scientists, developers and designers to innovate together. Fazer also took part in the Slush start-up event in Finland by participating in the Fun Academy, an astronaut-themed pop-up kindergarten, in which Fazer served space-themed, brain-friendly food to adults and children alike.

In 2017, the programme will continue with clinical research and prototype testing. The strong scientific basis provides an excellent starting point for developing new business opportunities. New product and service launches based on the Fazer Brainhow programme are planned for 2018.

Low-FODMAP rye bread for sensitive stomachs

Fazer's low-FODMAP rye bread, developed in cooperation with universities in Finland and abroad, is the first rye bread developed for people with sensitive stomachs. The new bread, which is one of Fazer's three stomach-friendly

novelties, is based on a Finnish sourdough innovation that breaks down the FODMAPs, which cause stomach irritation to many. A clinical trial carried out in cooperation with the University of Helsinki and Aava Medical Centre confirmed the bread's suitability to those with sensitive stomachs. Thanks to this product innovation, people who get stomach symptoms from ordinary rye bread can enjoy the rich taste of rye and, at the same time, get important fibres.

Lasten Liike aims to inspire 10,000 children to exercise

Many children today do not exercise enough during the school day or outside school hours. The Lasten Liike ("Children's movement initiative"), started by Fazer, addresses this situation by offering sports activities to primary school children in Finland. Lasten Liike wants children to have an enjoyable and exciting time with plenty of movement and play.

The movement aims to expand the scope of existing activities established by schools, clubs, sports federations and other actors. During the next three years, the goal of Lasten Liike is to support 500 clubs, reach 10,000 children and provide 700,000 hours of exercise. The overall target of the movement is to guarantee a hobby for every child in connection with the school day.

Fazer piloted the Lasten Liike programme in ten localities in 2015 and 2016, with excellent results that encourage the company to continue investing in sports possibilities for children. Lasten Liike is coordinated by the Finnish Olympic Committee and will be supported by several other companies from 2017 onwards.

Case:

Reducing salt safeguards health and could save millions

Salt is one of the most significant risk factors of high blood pressure and among the biggest factors in the world reducing the number of healthy years in people's lives. In Finland, women consume 6.5 grams of salt daily and men 9 grams, while the recommended salt intake per day is 5 grams.

The food industry has long been expected to provide solutions to reduce salt intake – a challenge that Fazer and Valio have set out to tackle. Valio ValSa® milk salt allows both companies to manufacture products using less salt. Milk salt contains many of the minerals naturally found in milk and its sodium content is nearly 80 per cent lower than that of table salt.

According to a nutrition economic research conducted by MedFiles for Valio and Fazer, the daily salt intake of Finns would decrease by 11 per cent if Finns chose products with a salt level equivalent to that in products manufactured with Valio ValSa® milk salt instead of normally salted bread, spread and cheese. The number of arterial disease events and resulting deaths would reduce by 3,700 cases over the next 10 years. This would allow Finland to save up to 65 million euros in healthcare costs over the same time period.

In 2016, Fazer cut down the amount of salt used in its bread by 35,000 kg in Finland. As of 2016, Fazer Bakery in Finland manufactures all bread by using only iodised salt. In addition, 85 per cent of the salt used by Fazer Food Services is iodised.



Stakeholder statement:

Start-up cooperation boosts innovation

In 2016, Fazer partnered with Vertical, the leading Health accelerator in the Nordic region, to tap into the entrepreneurial ecosystem and stimulate corporate innovation activities. During the year, we helped Fazer follow trends across start-ups focusing on ways in which nutrition can prevent and treat diseases as well as increase cognitive performance.

The Vertical acceleration programme helped the most promising cases initiate cooperation projects with Fazer to support the Fazer Brainhow programme implementation. Young companies like Diske and Better Day had the opportunity to validate their offering through real sales opportunities and to tune their service with fast prototyping and effective pilots in order to deliver concrete value to customers. We are proud to work with Fazer – a company that has a strong reputation for operating with a positive and sustainable impact on the environment and on people's lives.

Paolo Borella
 CEO, Vertical Health accelerator

Stakeholder dialogue about health

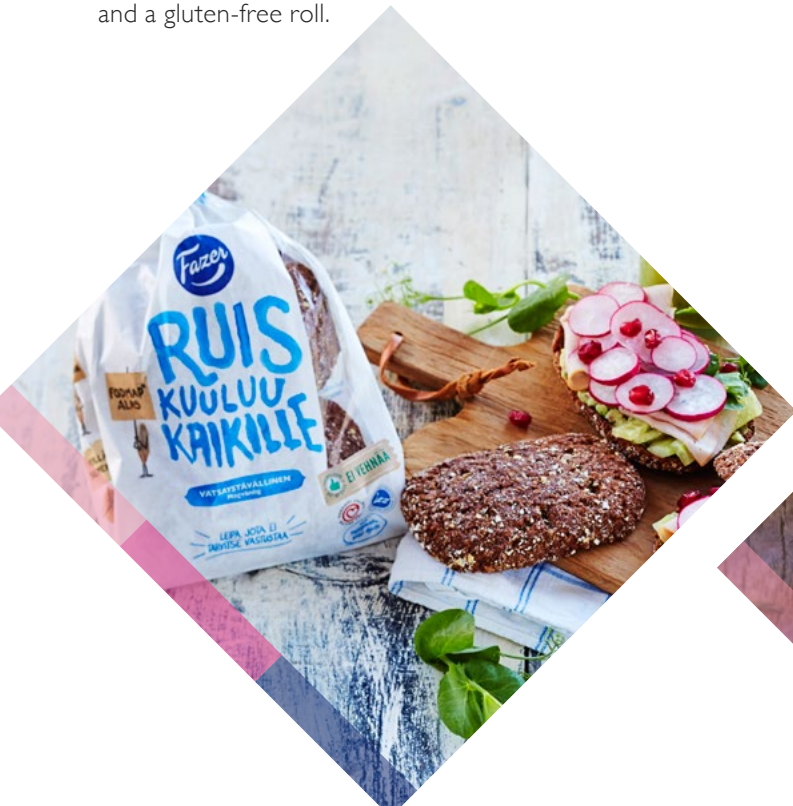
As an internationally operating food company, Fazer is in a position to benefit society at large by its products and services, but also by cooperating with the scientific community and engaging in active stakeholder dialogue. In 2016, Fazer launched a newsletter for Finnish healthcare professionals, Fazer Hyvinvointi uutiset. The Group has representation in different health-related working groups and cooperates with non-governmental organisations to increase health awareness. In 2016, Fazer participated in, for example, the EAT Stockholm Food Forum, which focused on consumption and production patterns, cities, accountability, technology and innovation in the food industry.

New products increasing health and well-being

Fazer's 'Baked Health' thumb symbol indicates that the bread product in question is a good choice because it is tasty and contributes to well-being. The breads contain e.g. less salt or more vegetables or protein, forming a part of a wholesome yet enjoyable diet.

Bread for sensitive stomachs

In 2016, Fazer launched a trio of breads for sensitive stomachs in Finland. The innovative product line includes three delicious and wholesome breads that are gentle on the digestive system: a low-FODMAP rye bread, which contains a smaller amount of poorly absorbed carbohydrates (FODMAPs) than regular rye bread; an oat bread that contains no wheat but plenty of healthy seeds; and a gluten-free roll.



Fazer Root Vegetable Bread

Fazer Root Vegetable Bread was introduced to Finnish and Russian consumers in 2016. The innovative bread range, which was first launched in Sweden in 2015, combines the renowned taste of Fazer bread with healthy and nutritious root vegetables, which replace part of the flour. The Root Vegetable Bread answers the consumer demand for products that enhance well-being without compromising taste.



Fazer Balans bread range

In Sweden, Fazer responded to the health trend by expanding its Fazer Balans bread range with two new products that contain good carbohydrates and protein, minerals and vitamins. Fazer Frökraft is a gluten-free bread with nutritious seeds, and Fazer Aktiv Flerkorn is a protein-rich product which suits consumers who need alternative protein sources.





The way forward

- Continue to expand Fazer's offering with products that support well-being
- Continue working with increasing vegetable use during 2017 with several actions
- Participate in addressing and mitigating obesity and salt and sugar consumption
- Continue to engage in stakeholder dialogue and research cooperation in health-related topics
- Implement Fazer's approach to a balanced diet and portion control in everyday work

Fazer Alku mueslis

Fazer entered a new product category with three new Fazer Alku mueslis, which build on the success of the Fazer Alku porridges. The new muesli range contains three products. They contain no added sugar or wheat; the taste of Finnish oats, rye and barley is complemented by additive-free, freeze-dried berries and fruit. A drop of honey provides healthy sweetness.

The environmentally friendly packaging of Fazer Alku mueslis comes with a handy pouring lip, which makes the muesli easy to portion.



People matter



Fazer takes great pride in its committed and skilled people

Goals:

- To have talented, motivated and healthy people, and lead them in an inspiring manner
- Respect all employees and offer them an equal working community through meaningful work and a safe working environment
- Further develop a diversified working community

Fazer's success is created by its people

Fazer employs approximately 15,000 people in 8 countries, and each and every one of them contributes to the company's success. Profitability, growth and development depend on highly skilled and motivated personnel who understand their roles and responsibilities and execute accordingly. An important motivational factor is a shared understanding of Fazer's strategy, Fazer Behaviours and brand value. When each employee has a clear view of the common goals and of how they relate to one's daily work, they are able to contribute according to their full potential. Fazer wants its people to be personally accountable, enjoy their work, be proud of their accomplishments and feel respected and appreciated at all times.

The safety and well-being of the personnel are key fundamentals at Fazer, and these are continuously developed in order to ensure that all employees can work in a safe

Achievements in 2016:

- Increased understanding of diversity and provided training possibilities through the 125 Opportunities for Working Life initiative
- Launched a Safety Engineering Programme in Fazer Bakery
- Launched a mentoring programme
- Renewed Fazer Academy
- Increased internal job rotation
- Agreed on group-level Flexible Ways of Working Instruction
- Implemented local action plans according to the People Power Index results: focus on development areas
- Local action plans resulting in significant decrease of sick leaves in Finland

environment and maintain their health. The goal for occupational safety is, naturally, zero accidents, and Fazer engages in systematic safety development work to reduce hazards and risks at the work place.

Fazer's People Policy and Fazer Behaviours direct the company's management and employees in everyday situations. The policy is based upon the company's values, ethical principles, people guidelines and instructions. In accordance with the United Nations Global Compact,

Fazer's Ethical Principles and Human Rights Policy guide Fazer in respecting the human rights, personal dignity and privacy of its personnel, treating its employees in a fair and equal manner and ensuring the safety of its employees.



High performance culture motivates continuous improvement

Fazer is developing a High performance culture to motivate its management and personnel to continuously strive to improve their behaviour and performance and develop their competences. Fazer wants its employees to realise their full potential, appreciate the importance of their own role and take pride in a job well done. Developing leadership culture is an important part of the action plan, which also involves finding new ways of working and enhancing mutual trust.

Fazer Behaviours define the expectations for the company's personnel at all levels and form the basis for the High performance culture. Built around Fazer's values, the behaviours guide management and employees to take responsibility for their performance, give and receive constructive feedback and develop their own skills and ways of working. In 2016, Fazer Behaviours were taken into action and actively addressed in team and development discussions.

Developing a learning culture

In Fazer's High performance culture, every employee has personal goals. Regular personal development discussions are held as part of the Individual Performance Management Process (IPMP) to support the setting and reaching of those goals. The aim is to have development discussions at every Fazer production site, restaurant and café.

In 2016 Fazer launched a mentoring pilot to develop the learning culture within the Group and increase co-operation across the company. The pilot concerns all white-collar workers at Fazer. In addition, the digital competencies of Fazer's personnel were defined in order to incorporate the advances brought on by digitalisation into everyday work.

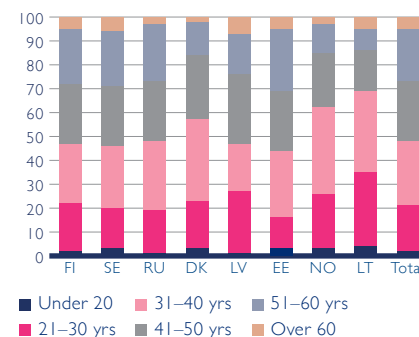
Furthermore, the renewed Fazer Academy was taken into use. All trainings, both web-based and face-to-face, can be handled through the Fazer Academy learning management system. Employees are offered relevant training and superiors can easily keep track of their team's training history and qualifications. All this ensures easy access to business relevant learning opportunities and aims to increase employees' interest in proactively developing their capabilities.

Case: Trainee programme encourages individual development and growth

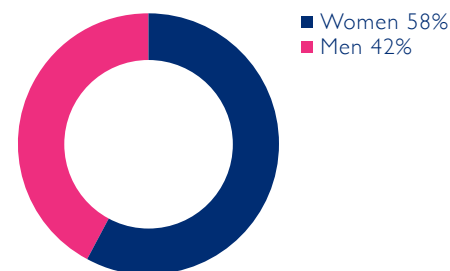
Fazer takes great care to support the professional development of its people and to create a solid basis for the company's future operations. In autumn 2015, Fazer initiated the Finance Trainee Programme, which is the company's multi-dimensional, two-year programme offering the first stepping stone to a career at Fazer. During the programme, the trainees work in different business units within Finance & Control and get to experience multiple roles and locations.

The trainees are supported by assigned mentors and coaches during the entire programme, allowing individual follow-ups of the trainees' development. The first three trainees started in autumn 2015, and now Fazer has nine trainees altogether.

EMPLOYEES BY AGE, %



EMPLOYEES BY GENDER



NUMBER OF EMPLOYEES PER COUNTRY

Finland	6,179
Sweden	3,339
Russia	3,061
Denmark	972
Norway	613
Latvia	317
Lithuania	247
Estonia	148

125 Opportunities for Working Life

Fazer believes strongly in providing equal opportunities. In 2016, Fazer celebrated its 125th anniversary by launching the 125 Opportunities for Working Life initiative, a three to six month training for people who have difficulty finding employment – immigrants, long-term unemployed people, young unemployed people with little or no work experience, and those with reduced functional ability. The programme includes face-to-face training as well as on-the-job training, and is carried out in cooperation with the Helsinki Deaconess Institute.

The overall target of the two-year initiative is to help 125 people find employment and develop their working skills. At the same time, Fazer benefits from the fresh and diverse viewpoints of the trainees. Fazer believes it will be able to offer employment within the Group to at least 70 per cent of the participants, with the rest receiving assistance in finding employment through the Helsinki Deaconess Institute's Työpiiri employment project. Through the initiative, Fazer has the opportunity to gain knowledge about managing diversity. In addition to Fazer's long journey, 125 Opportunities for Working Life celebrates Finland's 100 years of independence, a milestone the country reaches in 2017.

In 2016, Fazer also participated in a diversity and inclusion management study conducted by the Finnish Business and Society, FIBS. Around 100 employees gave their views on Fazer's practices on diversity and equality. Based on the results, Fazer will continue internal discussions on the topic.

Role exchange and job rotation give new opportunities

In 2016, Fazer has developed its processes and practices to drive increased job rotation to give people opportunities for professional development and for learning from each other. It allows employees to expand their skill set, helping them grow in the organisation. Job rotation is also connected to the objectives of diversity work, as it can be applied to finding suitable new tasks within the Group for employees with reduced ability, for example after sick leave or when approaching retirement age.

Taking on new tasks poses an exciting challenge for an employee, but it also challenges the managers to recognise the employees who would benefit from a role change. The development of job rotation will continue in 2017.



Extended talent ecosystem allows dynamic resourcing

Working life has seen many changes in the past few years, as cooperation, partnerships and freelance work have increased. Fazer began building its HR vision 2022 in order to support business strategy execution in the best possible way, and to include not only the competencies of its own people, but those of partners and networks as well. The changing expectations of current and future employees, dynamic development and resourcing calls for varied and flexible skill sets.

Another major trend is the increased importance of employee experience. Attracting and retaining the best people requires investment in their well-being as well as in the everyday work experience. Processes must be simple, smooth and practical, and employees must be able to influence their workday. To that end, Fazer unified its model for flexible work, to put all employees on an equal footing.

Continuous improvement in occupational safety and health

Fazer aims to provide a safe and healthy working environment and working conditions to protect and maintain the employees' ability to work, as well as to prevent accidents at work, occupational illnesses and physical and mental health drawbacks. In 2016, many actions were taken to improve safety and health at work. A new long-term development plan for quality, environment, health and safety (QEHS) and a QEHS policy were approved to guide QEHS work at Fazer.

To enforce the policy, Fazer has set up a management system and defined actions and responsibilities in a number of areas related to occupational safety. Fazer's management regularly reviews and evaluates the level of health and safety

Case:

Recruitment training empowers new chefs

In spring 2016, Fazer Food Services Sweden started a collaboration project with the education services company Lernia and the Swedish job centre. The recruitment training focused on the professional skills needed in kitchens and canteens. Twelve unemployed people went through a tailored, 33-week training, which was structured around theory, practical sessions and on-the-job learning. During their practice period in Amica restaurants, the participants adapted their cooking skills to a catering setting.

According to Lernia, 75–95 per cent of people who participate in customised employment training programmes get jobs directly after graduation. By providing training opportunities, Fazer wants to support people in their search for employment. In addition, the collaboration helps the food industry to answer the shortage of skilled chefs.

management and executes safety walks. Monthly safety reporting is shared with all Fazer employees and safety is also included in the company's rewarding systems.

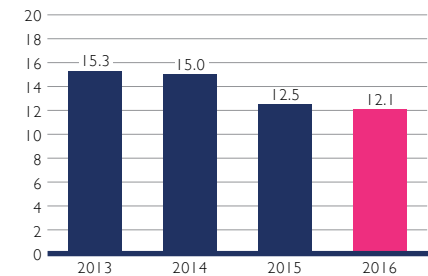
Safety culture development

In 2016, Fazer focused on developing its safety culture and management practices. The first employee safety culture survey was completed for major operations. Based on the results, the businesses decide on development actions for 2017. To further develop health and safety management practices, Fazer also implemented special safety-focused days at sites and operations to strengthen the dialogue between top management, site management and health and safety professionals.

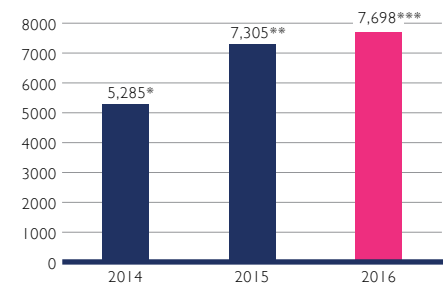
Frequency of occupational accidents

Number of accidents per one million working hours	2016	2015
Fazer Bakery	5.5	6.3
Fazer Confectionery	13.7	20.8
Fazer Food Services	19.5	18.1
Total in Group	12.1	12.5

FREQUENCY OF OCCUPATIONAL ACCIDENTS (LTAF) Number of accidents per one million working hours



SAFETY OBSERVATIONS



* Figure includes Fazer Confectionery and Fazer Bakery

** Figure includes Fazer Confectionery, Fazer Bakery and Fazer Food Services Finland

*** Figure includes Fazer Confectionery, Fazer Bakery, Fazer Food Services Finland, Fazer Mills Finland and Fazer Cafés

Actions to improve safety procedures

In addition to safety culture development, the quality of risk assessments and accident investigations has been improved and control of high risk activities has been strengthened. The Safety Engineering Programme (a machine safety programme) was launched at Fazer Bakery and Fazer Confectionery to better identify and control machine-related risks. Fazer Confectionery and Fazer Bakery Sweden received OHSAS 18001 safety certifications. Fazer Mills Finland and Fazer Bakery Russia already have OHSAS certificates.

Despite these efforts, the Group level Lost Time Accident Frequency (LTAF) target was not reached. Actions to prevent accidents seem to have been less efficient than expected, and in 2017, Fazer will strive to ensure that safety actions are even more focused and more effective. Safety has been a major focus for Fazer during many years, but it acknowledges that the cultural change takes time.

Employee well-being and satisfaction

Fazer applies a well-being at work strategy to improve the Group's competitiveness, financial performance and reputation. Employees who feel safe, healthy and appreciated are likely to be more engaged. Fazer's well-being framework addresses leadership, work fluency, safety, competence, meaningfulness, health, fellowship and employeeship as well as worklife cycle management.

Personnel feedback taken into action

In 2016, instead of conducting the personnel survey, focus was put on the development areas found in the 2015 survey

in order to turn the conclusions into prompt actions. During 2016, managers focused on the most critical development areas with their teams, according to plans based on the 2015 results. In Fazer Group, 1,916 actions were documented altogether. The top five action plan topics were related to prerequisites, communication and involvement, job motivation, empowerment and operative culture. Business

HR functions keep track of the actions with the survey's reporting tool and managers are provided with different tools to help them observe the effects of the actions carried out.

New collaboration methods and tools have also been adopted for improved interaction with all employees.

The way forward

- Continue to integrate the High performance culture and Fazer Behaviours into everyday work
- Enhance safety work to achieve zero accidents
- Further develop the job rotation process
- Continue to work with diversity
- Develop an extended talent ecosystem
- Finalise Fazer's HR vision 2022



Fair value chain



Responsible sourcing benefits everyone across the value chain

Goals:

- Constantly improve the level of responsibility and strengthen cooperation in the value chain
- Improve traceability in the value chain and secure food quality and safety
- Control and mitigate responsibility risks related to the raw material base

Sustainability observed throughout the value chain

As an internationally operating food company, Fazer has the opportunity to make a difference not only in its own production but in the entire value chain. In a large network of raw material producers, environmental and human rights risks exist and must be taken into account. Fazer strives to identify and minimise potential issues and increase the sustainability and transparency of its sourcing.

Fazer believes that responsible and transparent sourcing is the only way to secure the continuous availability of high quality raw materials. By striving to ensure fair treatment towards all links in the value chain, Fazer has been able to create a vast pool of responsible and reliable suppliers around the world.

Achievements in 2016:

- Increased share of responsible cocoa to 85 per cent
- Used 92 per cent Segregated palm oil for confectionery products (8 per cent RSPO Mass Balance or RSPO Book & Claim)
- Received top score with full points in WWF's Palm Oil Buyers Scorecard 2016
- 73 per cent of fish used in Sweden certified and 78 per cent of fish used in Finland green-listed by WWF Seafood Guide
- Common target established for responsible soy use
- Supplied 61 per cent domestic produce in restaurants in Finland, 55 per cent in Denmark and 50 per cent in Sweden
- Developed the Quality, Environment, Health and Safety Long Term Plan
- 19 of Fazer's production sites certified according to the FSSC 22000 food safety standard
- In Sweden, Fazer Food Services' main processes, headquarters and two restaurants were certified to ISO 9001 quality management standard



Fazer aims to provide sufficient compensation, training and guidance in environmental matters to, for instance, cocoa farmers in order to support the farming communities. When raw material production is profitable and sustainable, suppliers are able to continue to provide quality goods for Fazer. Better traceability allows the Group to monitor the working conditions and environmental compliance in raw material production and to take action if necessary.

Responsible sourcing does not apply to distant countries alone. Fazer is aware that domestic produce is highly rated in Fazer Food Services' local markets. Rules on, for example, animal welfare and use of antibiotics do however vary between countries, even if standards are generally high in the Nordics. One way in which Fazer is aiming to address this during 2017 is by agreeing on a minimum level of animal welfare criteria that all Fazer Food Services operating countries – Finland, Sweden, Denmark and Norway – must live up to. In 2016, the share of domestic produce in Fazer's restaurants was 61 per cent in Finland, 55 per cent in Denmark and 50 per cent in Sweden.

Supplier requirements ensure sustainable value chain

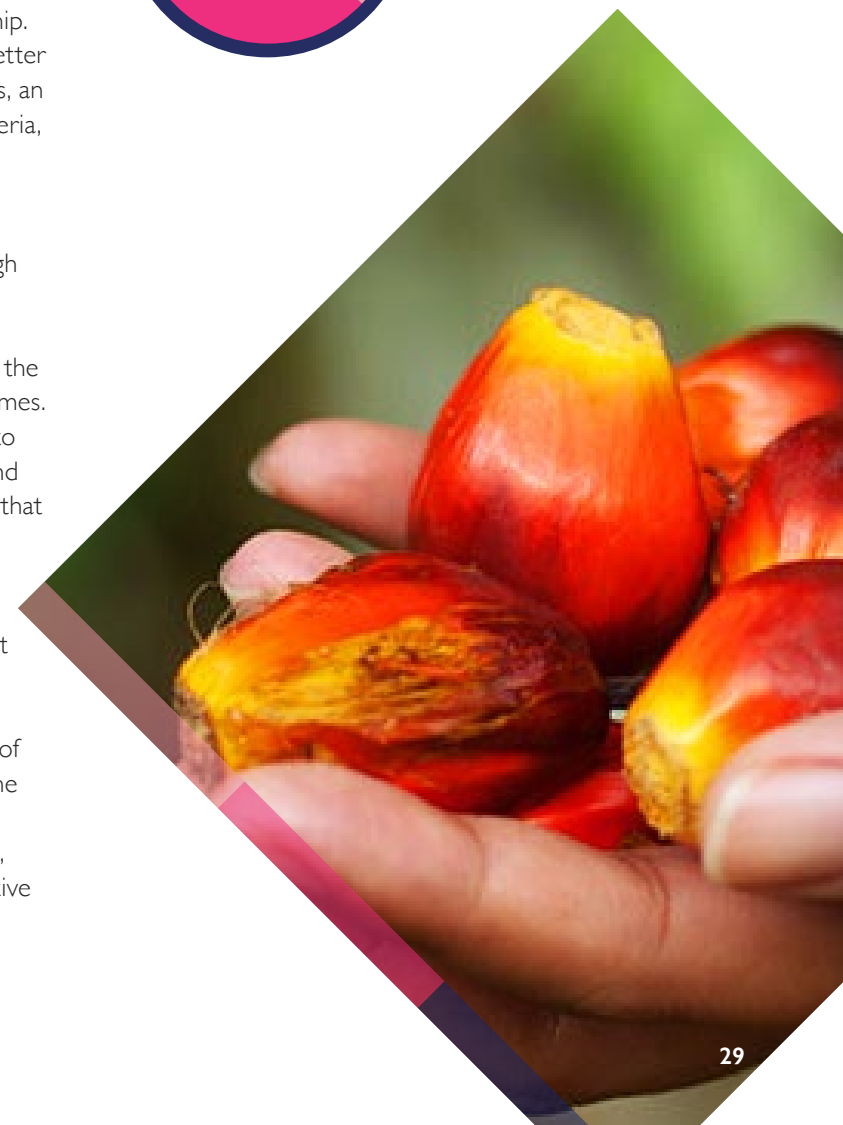
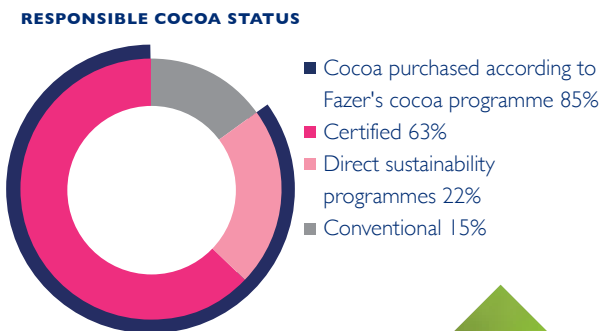
Fazer holds up ethical principles and standards in its own production and expects the same from its network of suppliers. In order to ensure a sustainable value chain from raw material production to finished products, Fazer selects its suppliers carefully and assesses each new supplier against the Group's supplier requirements. These include both social and environmental criteria and are included in Fazer's frame agreements.

Responsibility ensures high quality cocoa supply

Cocoa is a key raw material for Fazer Confectionery, and the company sources cocoa from Ecuador and West African countries such as Ivory Coast and Nigeria. Active cooperation with cocoa farmers and their communities ensures responsible and transparent production, which is a prerequisite for a successful long-term supplier relationship. Fazer supports farmers through, for example, training, better planting materials and social initiatives in the communities, an example of which is a school construction project in Nigeria, started in December 2016.

Fazer takes part in three commercial certification programmes, in addition to which it sources cocoa through its own direct sustainability programmes in Nigeria and Ecuador. As only around 20 per cent of cocoa farmers participate in certification programmes, it is vital to reach the cocoa farmers that are outside of these certification schemes. Fazer believes in using a larger pool of suppliers in order to scale up the sustainability activities to all cocoa farmers and secure sufficient amounts of responsibly produced cocoa that meets the company's high quality standards.

For cocoa farmers, the benefits to be gained from participating in the programmes include the development of cultivation methods and professional skills, safe and appropriate fertilisation, improved yield and quality of crops, more developed seedlings that allow the renewal of the farm's cocoa tree stock, premiums and mapping of the farm's. The benefits for the farming communities include the prevention of child labour and support for education, community development, for example wells, and protective equipment.



Both the certification programmes and the direct sustainability programmes seek to ensure that cocoa farming is a profitable livelihood for farmers, child labour is not used and the cultivation methods are environmentally sound. In the Nigerian programme, local child labour liaison officers are trained to monitor and report if cases of child labour are detected, and to assist in matters pertaining to remediation and grievance.

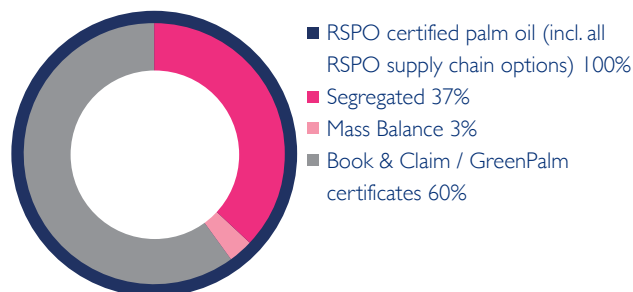
In 2016, Fazer succeeded in reaching the goal of 85 per cent responsibly produced cocoa. 63 per cent of all cocoa purchased by Fazer was certified by UTZ, Rainforest Alliance or the Fairtrade Cocoa Programme, and 22 per cent was sourced from farmers participating in the direct programmes. From the beginning of 2017, the percentage reached a full 100 per cent. All programmes and certification schemes that Fazer uses in cocoa sourcing are audited by a third party. Fazer's responsible cocoa sourcing management and practices and direct programme in Nigeria were audited in 2016. In 2017, the direct programme in Ecuador will be audited.

Fazer participates in industry-wide efforts to improve sustainability of the cocoa value chain through the development of the CEN/ISO standard for sustainable and traceable cocoa. The Group is also a member of the World Cocoa Foundation.

Good development in responsible palm oil sourcing

Fazer uses palm oil mainly in fat blends for fillings and margarines. In 2016, Fazer Group used approximately 4.3 million tonnes of palm oil. Of the total amount, 9 per cent was refined palm oil and the rest comprised of different palm oil derivatives.

RESPONSIBLE PALM OIL STATUS

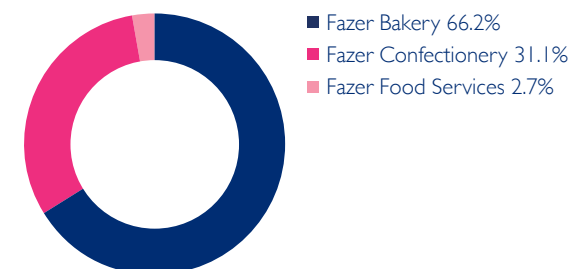


All of the palm oil purchased by Fazer is certified. Fazer is a member of the Roundtable on Sustainable Palm Oil (RSPO), an international initiative that promotes sustainability in the palm oil industry. By applying RSPO principles in its sourcing, Fazer supports responsible and transparent palm oil production.

RSPO offers four supply chain options. In all of them, RSPO certified plantations have been found by independent auditors to operate within the guidelines of RSPO. The 'Book & Claim' option involves a premium to support RSPO-certified plantations for every tonne of palm oil used. The 'Mass Balance' option demands that the volumes of certified palm oil are monitored throughout the supply chain, while in the 'Segregated' option, palm oil is physically separated from non-certified palm oil throughout the supply chain.

Fazer is continuously increasing the share of Mass Balance and Segregated palm oil in its sourcing. In 2016, Book & Claim made up 60 per cent of the palm oil purchased by the Group. Three per cent of the total was Mass Balance certified and 37 per cent Segregated. The palm oil used by Fazer Confectionery was 92 per cent Segregated. There were a few products with which it was not possible to meet

FAZER'S PALM OIL USE BY BUSINESS AREA



Case:

Choosing local, Swedish pork to tackle overuse of antibiotics

The use of antibiotics increasing the risk of multi-resistant bacteria developing in animals is a hot topic. After evaluating the welfare of pigs in EU countries in 2015, Fazer Food Services Sweden decided to take a proactive stance on the issue.

Sweden has the world's most comprehensive animal welfare law and the lowest level of antibiotic use in the EU. As of April 2016, Fazer Food Services in Sweden replaced all imported pork with local produce. With this choice, Fazer can support improved livestock farming.

Choosing local pork also supports Swedish agriculture. With new pork recipes, Fazer Food Services can also reduce the use of beef, which has a greater impact on the climate than pork.



Stakeholder statement: Responding to consumers' sustainability concerns

Consumers are taking an increasingly close interest in sustainability and the work companies do to operate responsibly, particularly when something is discussed in the media. As a result, we receive more and more questions on sustainability issues, such as palm oil, cocoa and recycling. This interest is not limited to adults – we also receive messages from school children.

That is why it is essential for Fazer to have an outspoken strategy on corporate responsibility that we can use to provide consumers with well-informed answers. It is important to treat all consumers in a respectful way, show them we take an interest in their questions and work to personalise dialogue with them. This way, Fazer is able to provide accessible information to consumers and build long-term trust.

Lars Melander
Consumer Contact, Fazer Bakery Sweden and Fazer
Confectionery Sweden

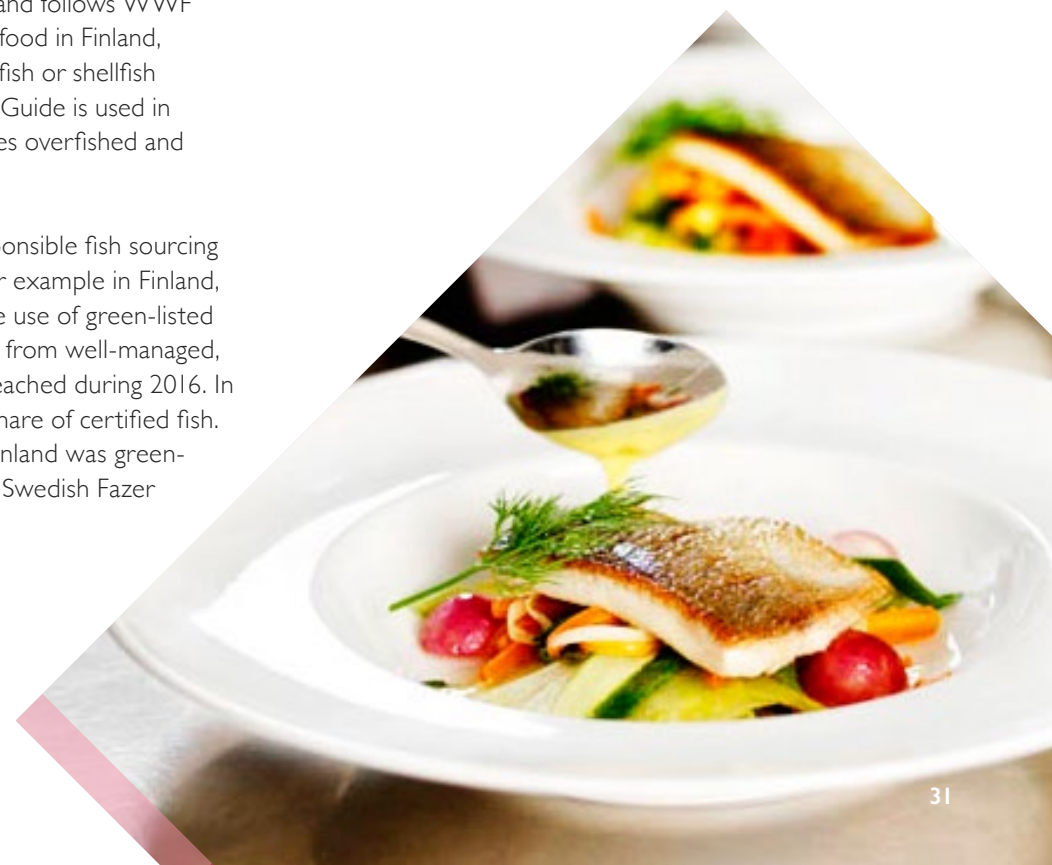
the target of segregated palm oil. For these products, Fazer still made sure to buy RSPO certified palm oil: RSPO Mass Balance or RSPO Book & Claim. In 2016, Fazer received the top score, a full 9 points, in the international WWF's Palm Oil Buyers Scorecard, which assesses the progress of companies on the commitments and actions to ensure the sustainability of their palm oil use.

Sustainable seafood on the lunch plate

The global problem of overfishing has a considerable impact on the responsible use of fish. Fish comprises approximately 10 per cent of the raw materials used by Fazer Food Services. Fazer wants to offer consumers responsibly sourced fish in its dishes and follows WWF recommendations for sustainable seafood in Finland, Sweden, Norway and Denmark. No fish or shellfish on the red list of the WWF Seafood Guide is used in Fazer's restaurants. The guide specifies overfished and unsustainable fish stocks.

Fazer has set specific targets for responsible fish sourcing in each of its operating countries. For example in Finland, Fazer's target has been to double the use of green-listed fish (from the level of 2013), which is from well-managed, sustainable stocks. This target was reached during 2016. In Sweden, the goal is to increase the share of certified fish. In 2016, 78 per cent of fish used in Finland was green-listed and 73 per cent of fish used in Swedish Fazer restaurants was certified.

Responsible Fish Status	%
Green list fish (Finland and Sweden, incl. certified fish)	76
Green list fish Finland	78
Certified fish Sweden	73



Grain Vision increases cooperation with farmers

The development and promotion of sustainable farming is an important goal for Fazer, especially for Fazer Mills and Fazer Bakery. In 2016, Fazer developed its Sustainable Grain Farming Principles. Fazer also continued defining its Grain Vision activities, working towards developing verification and targets and continuing active stakeholder dialogue. During the year, the company conducted a farmer study in Finland to better understand the current level of environmental practices. In Sweden, a supplier study was carried out for the same reason. Fazer Bakery and Fazer Mills Sweden and Finland set a target that all grain shall fulfil Fazer's sustainable grain farming principles by 2025.

Fazer targets 100 per cent responsible soy

Most of Fazer Group's soy use is indirect, used as, for instance, cattle feed in meat production. In 2016, a common target was agreed for the direct and indirect consumption of soy. By 2020 Fazer is committed to 100 per cent responsible soy by ensuring the soy the Group uses, directly or indirectly through the products Fazer purchases, is responsibly produced. This means that the soy should be certified to schemes such as Roundtable on Responsible Soy (RTRS) or Proterra.

Food safety and quality is top priority

Food safety is naturally a vital factor in all Fazer's businesses, and allows no compromises. The quality and safety of every ingredient and every dish served must be excellent. In raw material sourcing, Fazer applies its own safety standards that complement the legislation governing food quality.

The way forward

- Continue systematic development of responsibility and cooperation in the value chain
- Continue to improve traceability
- Continue development of direct programmes together with cocoa farmers
- Continue the Grain Vision activities
- Review of Fazer's Commitment to Responsible Palm Oil in 2017
- Work towards achieving the responsible soy target
- Continue monitoring the share of domestic sourcing in Fazer Food Services
- Continue the certification process of Fazer sites
- Continue systematic work to ensure food safety and quality

Risks are identified by the company's food safety and quality management systems. Fazer is in the process of carrying out a plan to certify all its production sites according to the FSSC 22000 global food safety standard. At the end of 2016, 19 of Fazer's production sites were certified according to the FSSC 22000 safety standard.

In 2016, a new long term plan was created for quality, environment, health and safety matters, with the aim of creating clear direction. The objectives of the plan include defining and setting targets, identifying development areas and building an implementation road map to reach the target state.



Part of the environment



We rely on the resources nature gives us

Goals:

- Reduce climate impact and increase energy efficiency
- Prevent waste and loss of raw materials
- Manage and use water resources responsibly
- Support sustainable farming and prevent loss of biodiversity
- Raise environmental awareness

Fazer treats nature and its resources with respect

Fazer depends on the long-term availability of raw materials and therefore strives to minimise the environmental impacts of its operations. Fazer sees environmental responsibility as a natural part of its operations, but it is also regarded as the company's duty to the communities in which it operates. Fazer's responsible offering consists of people's everyday well-being, sustainable use of the planet's resources and the shared value the company creates in society. Responsible treatment of nature and its resources throughout the value chain is the only way to preserve the planet for future generations – and the food business of the future.

Fazer engages in continuous dialogue with various stakeholders concerning the development of its environmental initiatives. The Group cooperates with

Achievements in 2016:

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- Fazer Grain Vision – Development of Fazer's Sustainable Grain Farming Principles
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universities on new research, receiving valuable input on ways to improve environmental performance when it comes to e.g. reducing food waste.

As an employer, purchaser, partner and service provider, Fazer does not carry out its responsibility work alone. Inspiring employees, suppliers, consumers and customers to adopt environmentally sustainable working methods and habits is part of a comprehensive sustainability approach. This requires active dialogue and transparent communications regarding Fazer's responsibility targets and initiatives.



To manage environmental impacts, many production sites and restaurants are certified. In Norway, four more restaurants were certified to Miljøfyrtårn in 2016, bringing the total number to 15. During 2017, all 72 restaurants with more than two employees will be certified. At the end of the year 2016, 10 confectionery, bakery and mills sites were certified to ISO 14001. All Fazer's Swedish restaurants were audited and certified to the updated standard ISO 14001:2015 from the earlier ISO 14001:2004 version. Fazer also evaluated the implications of the updated version of ISO 14001. The new version introduces, for example, lifecycle thinking when considering environmental aspects.

An evaluation was carried out to determine how Fazer is working to fulfil the Swedish National Objectives. 'No eutrophication', 'Limited climate impact', 'A rich agricultural landscape' and 'Good built environment' were identified to be the four most relevant among the 16 national environmental objectives. Fazer engaged in active dialogue with Swedish decision-makers about green public procurement, sustainable consumption, circular economy and the ways in which the Group can contribute to the national environmental objectives.

Many means for reducing emissions

The food industry generates a significant portion of global greenhouse gas emissions. In order to minimise the emissions resulting from its operations, Fazer is developing its offering into a more sustainable direction, providing more alternatives that have a lower environmental impact and, thereby, giving consumers the opportunity to make a difference with their choices.

The cultivation of vegetables causes on average less strain on the environment than meat or dairy production, and Fazer works to increase the use of plant-based products

and raw materials in its offering in its restaurants with, for instance, nudging (more on nudging in the Health and well-being section on page 18). Environmental impacts are also mitigated by using seasonal ingredients. In addition, Fazer continues its efficient work to reduce food waste in all its operations.

Advances in energy efficiency

In 2016, energy mappings were carried out in all Fazer's operating countries within the EU, according to the EU energy efficiency directive.

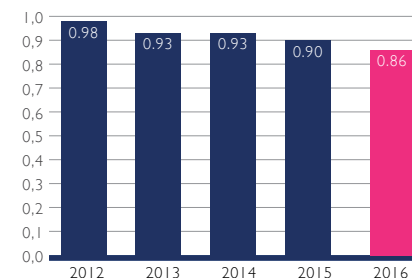
In Finland, Fazer Confectionery and Fazer Bakery together with Fazer Mills Finland reached their national energy efficiency targets defined in the national Energy Agreement which continued until 2016. Fazer Confectionery joined the agreement in 2009; Fazer Bakery and Fazer Mills Finland in 2008. Energy Efficiency Agreements are a voluntary method, established together by the Government and industries, for fulfilling the energy efficiency obligations set for Finland by the EU. The role of voluntary agreements in implementing the country's energy and climate strategy is a significant one, as improvements in energy efficiency help reduce carbon dioxide emissions and thereby mitigate climate change.

In total, Fazer's energy use decreased by 4 per cent compared to 2015. Renewable electricity made up 86 per cent of the total electricity consumption, exceeding the target of 70 per cent. Fazer Bakery's sites in Lithuania and Latvia purchased 100 per cent renewable electricity in 2016, which increased the overall share of renewable energy consumed by Fazer. In Finland and Sweden, Fazer continued to purchase 100 per cent renewable electricity in 2016.

ENVIRONMENTAL INDICATORS 2016	
Amount of production (tonnes)	589,001
Energy consumption (MWh)	504,384
Energy consumption/produced quantity (MWh/tonne)	0.86
Usage of water (m³)	884,977
Usage of water/produced amount (m³/tonne)	1.50
Used raw materials (tonne)	481,683
Used raw materials/produced quantity (tonnes/tonne)	0.82
Total amount of waste/produced quantity (tonnes/tonne)	0.08
Total amount of waste (tonnes), of which	48,650
• Recycled (%)	66
• Recycled as energy (%)*	26
• Landfill waste (%)	8

*Biofuel is calculated as "recycled as energy". The environmental indicators cover the operations of Fazer's bakeries and confectionery factories and Fazer Mills.

ENERGY CONSUMPTION/PRODUCED QUANTITY
MWh/tonne



Water matters

Addressing water risks, such as quality, availability and conflict over water, will be one of the key sustainability focuses in 2017. Water issues will be evaluated in both production and the value chain. Fazer joined the Stockholm International Water Institute's (SIWI) water cluster group that includes food industry players, to work more actively with water management during 2017 and develop a Water Plan.

In Russia, planning for sewage cleaning system installations is under way. The project, which started in 2015 at the Murinskaya site, continued in 2016. Fazer is studying the possibility of installing water sewage cleaning systems at all its Russian sites.

High meat and protein consumption has been linked to eutrophication. Fazer strives to combat eutrophication by increasing the share of vegetables in its restaurants. Nudging, which gently steers consumers to choose plant-based alternatives to meat, has proved successful in this effort and will be continued as part of the wider More Greens initiative in Fazer Food Services restaurants.

Fazer operates in several countries in the Baltic Sea region and participates in efforts to improve the condition of the sea. The Group's commitment to the Baltic Sea Action Group (BSAG) contains four strategic elements: Fazer's Grain Vision, responsibility programme for Fazer Mills, more responsible offering for Fazer Food Services and implementation of Fazer's energy strategy. In 2016, Fazer took action in each element, with significant advances in sustainable grain farming in particular.



Developing sustainable farming principles

Substantial progress was made towards fulfilling the Fazer Grain Vision, and Fazer's Sustainable Grain Farming Principles were developed and approved. Fazer's Sustainable Grain Farming Principles serve as a basis for active sustainability cooperation with farmers. The principles aim at minimising eutrophication and the use of chemicals while supporting resource efficiency and productivity. The Fazer Grain Vision is part of Fazer's Baltic Sea commitment. In 2016, Fazer Bakery and Fazer Mills in Sweden and Finland set a target that all grain shall fulfil the Fazer Grain Vision principles by 2025.



Committed to Zero Deforestation

Fazer continued the development of its Zero deforestation commitment in close dialogue with WWF during 2016. Deforestation is a major cause of climate change, causing loss of habitat to animal and plant species as well as flooding and soil erosion. Deforestation also threatens the livelihoods of people who receive their food and income from forests.

The main raw materials causing deforestation and used by Fazer were identified; attention will be paid in particular to the responsible use of palm oil, direct and indirect soy use and pulp and paper-based packaging in Fazer's operations. Fazer aims to tackle the deforestation challenge by ensuring that its raw materials are purchased from sustainable sources where human and labour rights as well as land tenure rights are respected. Fazer aims not to purchase raw materials from areas with high conservation value, primary forests, areas that require conversion of natural vegetation or from sources that create harmful pressures on natural ecosystems.

Preventing wasteful ways

In 2016, Fazer approved a Material Loss Plan and Waste Prevention Plan outlining a number of targets to prevent food waste, facilitate re-use of materials and support circular economy. The plan includes waste targets for Fazer Food Services, Fazer Cafés and Gateau bakery shops in Sweden, which were approved during 2015. In addition, it specifies targets for Fazer Confectionery, Fazer Bakery and Fazer Mills to reduce waste by 10 per cent by 2020.

The Material Loss and Waste Prevention Plan also includes the Fazer Waste Hierarchy: Prevention, Preparation for Re-use, Recycling, Recovery and Disposal. Fazer looks at waste prevention in two steps. Step 1 is to prevent waste from occurring as a result of its operations, and step 2 is

preventing waste by donating food or sending food to be used as animal feed. However, the targets Fazer has set are to prevent waste in its operations and eliminate inefficiencies as opposed to donating food as a way of preventing waste.

During 2016, confectionery and bakery sites started their journey towards reducing waste by 10% by 2020. Many sites were successful and improvements were carried out. However, at other sites, a negative trend continued, which underlined the importance of continuous work towards waste reduction.

Case:

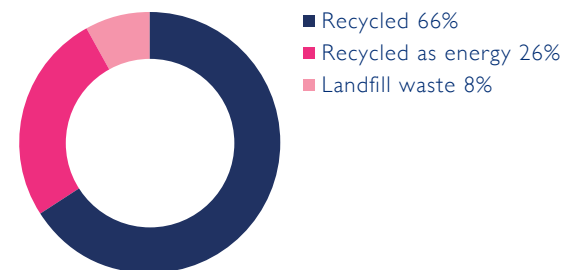
Fazer Cafés reduce food waste

As part of Fazer's Material Loss and Waste Prevention Plan, Fazer Cafés adopted food waste reduction targets. According to the plan, Fazer Cafés would develop a process for donating unsold food to charity and create procedures for reducing organic waste by 2016. This way, Fazer can reduce its environmental impact while, at the same time, helping those in need.

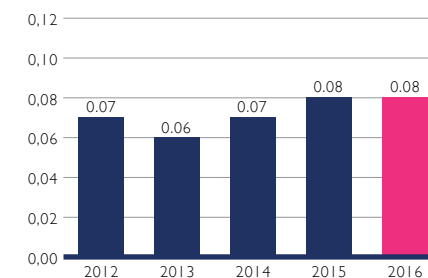
By the end of the year, five Fazer Cafés in the Helsinki area were donating unsold food to charity, while four other cafés were in negotiations to begin donations. In addition, the amount of organic waste was cut by 14 per cent in 2016 compared to 2015.

Fazer achieved these targets by investing into assortment planning as well as product and offering development. In addition, monthly waste figures were discussed with café personnel, food assortments were changed three times a year and follow-ups were conducted regularly.

WASTE TREATMENT



TOTAL AMOUNT OF WASTE/PRODUCED QUANTITY tonnes/tonne



Case:

Reducing food waste one gram at a time

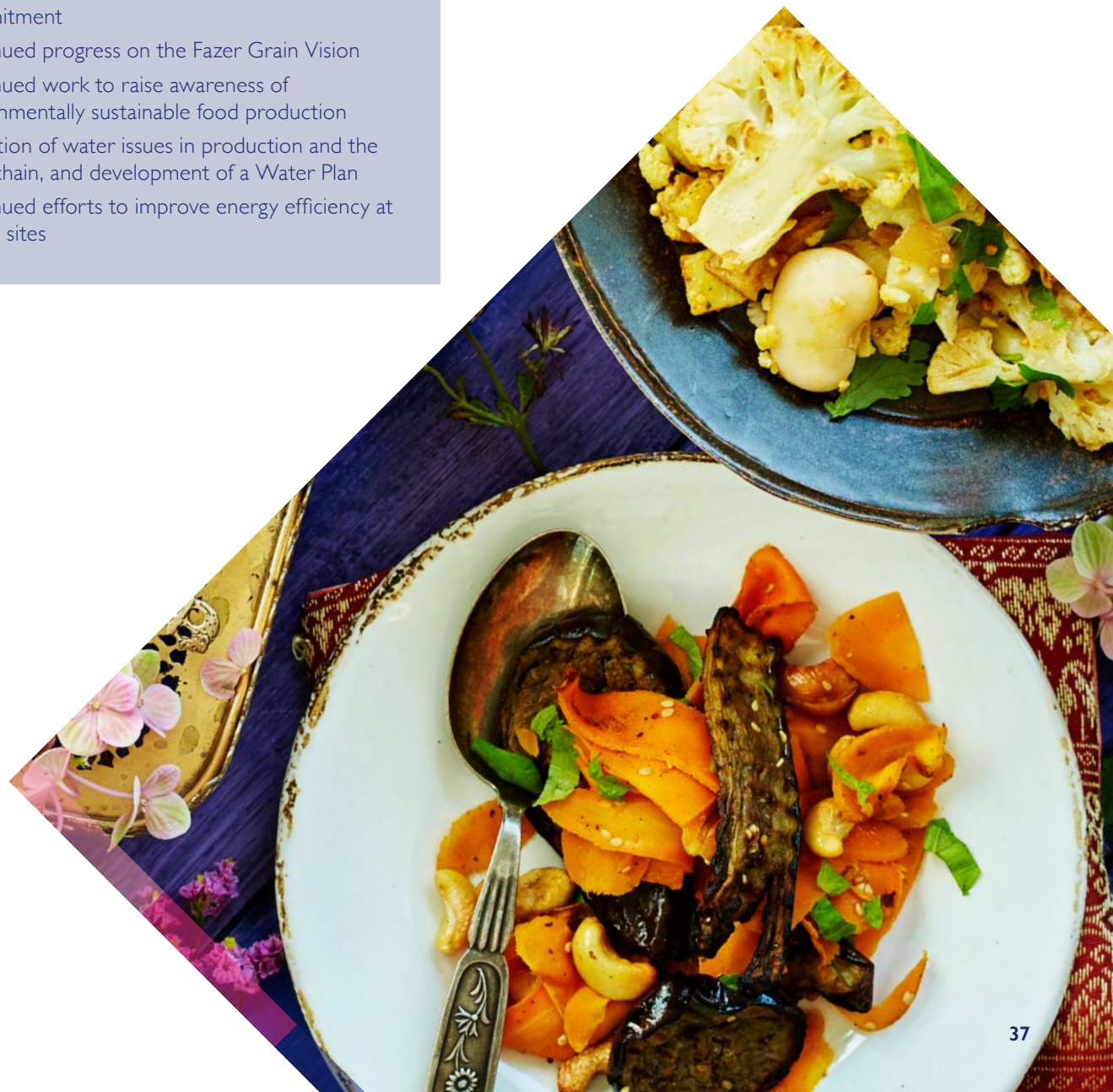
One of Fazer Food Services' prioritised corporate responsibility initiatives is reducing food waste. During 2016, Fazer Food Services organised waste campaigns to reduce display and plate waste. The target was to reduce food waste by 10 grams per portion by 2017, with five grams coming from storage and display waste and five from plate waste.

As a result of the campaigns and ongoing efforts between them, Fazer Food Services was able to reduce storage and display waste by 6.8 grams per portion in 2016. The company serves around 100 million portions per year, which means that the percentage can be translated to a reduction of 680 tonnes annually.

To reduce plate waste, Fazer Food Services conducted waste campaigns in restaurants during 2016. The efforts will continue during 2017. The work is not physically limited to the restaurants: Fazer has also examined ways to reduce food waste further down the value chain. For example, in order to reduce waste, Fazer has procured second-class vegetables that do not fulfil aesthetic requirements. A malformed carrot tastes just as delicious as a perfectly shaped one.

The way forward

- Move forward with the Zero Deforestation Commitment
- Continued progress on the Fazer Grain Vision
- Continued work to raise awareness of environmentally sustainable food production
- Evaluation of water issues in production and the value chain, and development of a Water Plan
- Continued efforts to improve energy efficiency at Fazer's sites



Management system certificates at Fazer

	QEHS standards			Food safety standards			
	ISO 9001	ISO 14001	OHSAS 18001	FSSC 22000	BRC	IFS	Additional info
Fazer Confectionery							
Vantaa	X	X	X	X			
Lappeenranta	X	X	X	X			
Karkkila	X	X	X	X			
Vantaa Biscuit			X	X			
Fazer Bakery Finland							
Vantaa				X			
Lahti				X			
Crisp factory	X			X	X		
Lappeenranta				X			
Oulu				X			
Fazer Bakery Sweden							
Eskilstuna		X	X	X			
Lidköping	X	X		X		X	
Lund				X			
Lövånger				X			
Umeå				X			
Fazer Bakery Russia							
Smolenskaya	X	X	X	X			
Murinskaya	X	X	X	X			
Neva	X	X	X	X			
Zvezdnyi	X	X	X	X			
Fazer Bakery Latvia							
Ogre							
Fazer Bakery Lithuania							
Kaunas							
Fazer Mills							
Lahti			X				AIB certificate
Lidköping	X	X		X			
Fazer Food Services							
Restaurants Finland	X	X					
Restaurants Sweden	X	X					ISO 9001 certificate covers FFSE Headquarters and 2 units

- ISO 9001** Quality Management System Standard
- ISO 14001** Environmental Management System Standard
- OHSAS 18001** Occupational Health and Safety Management System Standard
- FSSC 22000** Food Safety System Certification
- BRC** Food Safety Standard
- IFS** Food Standard (food safety and quality of processes and products)
- AIB** Food Safety Audit by AIB International

Fazer's corporate responsibility goals and achievements

Goals

Achievements in 2016

2017 and onwards

Running business – Fazer creates prosperity for the company, stakeholders and the society.

- Secure profitable business and growth
- Identify new business opportunities and savings potential via corporate responsibility
- 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

- Human Rights Impact Assessments carried out in the Group and Fazer Confectionery
- Two recognitions for corporate responsibility work in Russia
- Third place in Finland's Reputation and Trust survey; positive development of reputation in Sweden and Russia
- Economic Value Added was 634 M€
- Return on equity was 7.6 per cent, a 57.2 per cent increase from 2015
- Paid 43 M€ in taxes and 115 M€ in employer's contributions; collected 156 M€ of VAT, payroll and other taxes
- Active stakeholder dialogue

- Securing the long term continuity of the business
- Understanding the global risks and mitigating their impacts by acting in a sustainable manner
- Continuing active stakeholder dialogue
- Identifying new business opportunities that support sustainable development
- Continuing the work with Human Rights: development of the grievance and remediation processes
- Identifying cost saving possibilities via corporate responsibility work
- Deepening the understanding on the UN SDGs and Fazer's contribution in realisation of the goals

For health and well-being – A balance of healthy nutrition and moments of indulgence.

- Develop responsible offering
- Transparently communicate with consumers and other stakeholders about topics related to health and well-being
- Participate in studies on food, health and sustainability

- Published Fazer's approach to a balanced diet
- Launched the Fazer Brainhow programme to examine the connection between nutrition and cognitive ability
- Published long-term research and launched the innovative low-FODMAP rye bread
- Created Nudging Handbook to help restaurants increase the share of vegetables
- Introduced new bread products and the Baked Health thumb symbol, denoting benefits to well-being, to respond to the health trend
- Piloted and developed further the Lasten Liike exercise initiative for school children

- Continue to expand Fazer's offering with products that support well-being
- Continue working with increasing vegetable use during 2017 with several actions
- Participate in addressing and mitigating obesity and salt and sugar consumption
- Continue to engage in stakeholder dialogue and research cooperation in health-related topics
- Implement Fazer's approach to a balanced diet and portion control in everyday work

Goals

Achievements in 2016

2017 and onwards

People matter – Fazer takes great pride in its committed and skilled people.

- To have talented, motivated and healthy people, and lead them in an inspiring manner
- Respect all employees and offer them an equal working community through meaningful work and a safe working environment
- Further develop a diversified working community

- Increased understanding of diversity and provided training possibilities through the 125 Opportunities for Working Life initiative
- Launched a Safety Engineering Programme in Fazer Bakery
- Launched a mentoring programme
- Renewed Fazer Academy
- Increased internal job rotation
- Agreed on group-level Flexible Ways of Working Instruction
- Implemented local action plans according to the People Power survey results: focus on development areas
- Local action plans resulting in significant decrease of sick leaves in Finland

- Continue to integrate the High Performance Culture and Fazer Behaviours into everyday work
- Enhance safety work to achieve zero accidents
- Further develop the job rotation process
- Continue to work with diversity
- Develop an extended talent ecosystem
- Finalise Fazer's HR vision 2022

Fair value chain – Responsible sourcing benefits everyone across the value chain.

- Constantly improve the level of responsibility and strengthen cooperation in the value chain
- Improve traceability in the supply chain and secure food quality and safety
- Control and mitigate responsibility risks related to the raw material base

- Increased share of responsible cocoa to 85 per cent
- Used 92 per cent segregated palm oil for confectionery products (8 per cent RSPO Mass Balance or RSPO Book & Claim)
- Received top score with full points in WWF's Palm Oil Buyers Scorecard 2016
- 73 per cent of fish used in Sweden certified and 78 per cent of fish used in Finland green-listed by WWF Seafood Guide
- Common target established for responsible soy use
- Supplied 61 per cent domestic produce in restaurants in Finland, 55 per cent in Denmark and 50 per cent in Sweden
- Developed the Quality, Environment, Health and Safety Long Term Plan
- 19 of Fazer's production sites certified according to the FSSC 22000 food safety standard
- In Sweden, Fazer Food Services' main processes, headquarters and two restaurants were certified to ISO 9001 quality management standard

- Continue systematic development of responsibility and cooperation in the value chain
- Continue to improve traceability
- Continue development of direct programmes together with cocoa farmers
- Continue the Grain Vision activities
- Review of Fazer's Commitment to Responsible Palm Oil in 2017
- Work towards achieving the responsible soy target
- Continue monitoring the share of domestic sourcing in Fazer Food Services
- Continue the certification process of Fazer sites
- Continue systematic work to ensure food safety and quality

Goals

Achievements in 2016

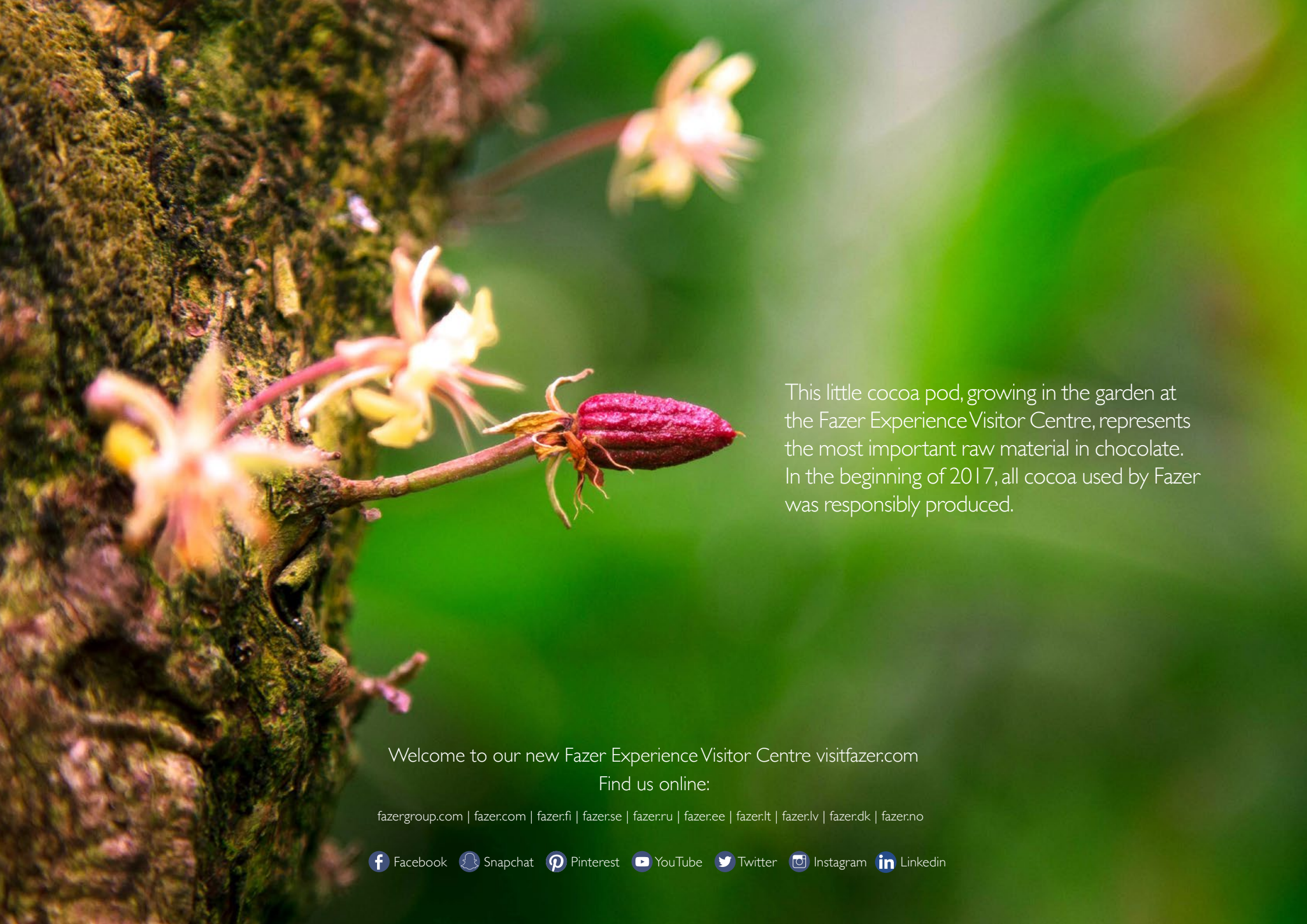
2017 and onwards

Part of the environment – We rely on the resources nature gives us.

- Reduce climate impact and increase energy efficiency
- Prevent waste and loss of raw materials
- Manage and use water resources responsibly
- Support sustainable farming and prevent loss of biodiversity
- Raise environmental awareness

- Energy mappings carried out in operating countries within the EU
- Energy use decreased by 4 per cent per produced tonne
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- Move forward with the Zero Deforestation Commitment
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- Continue to work to raise awareness of environmentally sustainable food production
- Evaluation of water issues in production and the value chain, and development of a Water Plan
- Continue efforts to improve energy efficiency at Fazer sites



This little cocoa pod, growing in the garden at the Fazer Experience Visitor Centre, represents the most important raw material in chocolate. In the beginning of 2017, all cocoa used by Fazer was responsibly produced.

Welcome to our new Fazer Experience Visitor Centre visitfazer.com
Find us online:

fazergroup.com | fazer.com | fazer.fi | fazer.se | fazer.ru | fazer.ee | fazer.lt | fazer.lv | fazer.dk | fazer.no

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