



2022

ANNUAL REVIEW

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i The sale of Fazer's Russian operations was completed in April 2022. Fazer Russia is reported as discontinued operation throughout the Annual Review.

FAZER IN 2022

At Fazer, we create meaningful food experiences and moments of joy. By combining our heritage with fearless creativity, we innovate the sustainable food solutions of the future.

Fazer focuses on fast-moving consumer goods and our direct-to-consumer business in Northern Europe, and beyond to some 40 different countries. We operate through our three Business Areas: Fazer Bakery, Fazer Confectionery, and Fazer Lifestyle Foods. We are also a major player in the Nordic grain milling market and increasingly in foodtech.

In our product portfolio, we combine our much loved and cherished brands with an unending curiosity for new tastes. Whether it is a nourishing breakfast, a quick afternoon snack, or a sweet treat in the evening, Fazer's products bring joy and well-being into people's everyday lives. Our strong consumer-centric approach allows us to craft the tastes of today, while already exploring those of tomorrow.

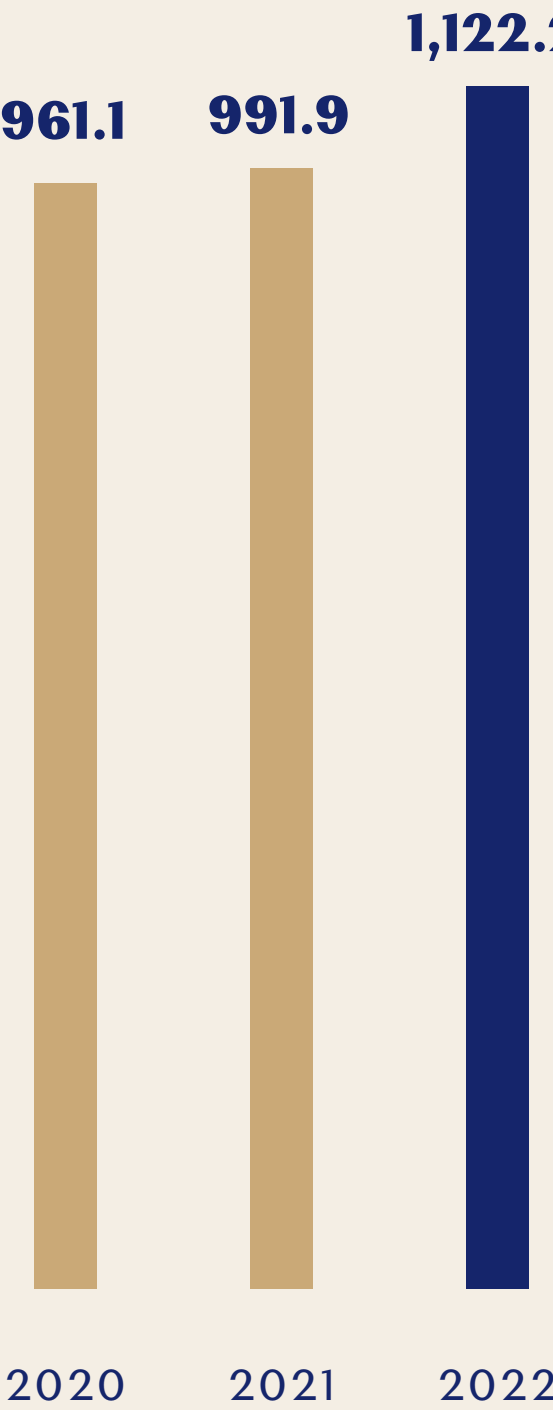
Our mission, **Food with a purpose**, describes our reason for being. It means that we create magical moments by pouring dedication and care into every bite. We draw from our expertise in innovations and foodtech to bring consumers tasty experiences that are increasingly plant-based, and thus, better for both people and the planet. Sustainability is at the core of everything we do.

Our vision, **Towards Perfect Days**, defines our shared direction. It guides the journey we are taking with our consumers and customers, steering us forward. We want to make every day a little better, with a taste, a surprise, an experience. Happiness is made of moments, and we are here to make them special.

We gain endless insight and inspiration from our consumers' needs and values and develop our offering together with them, in continuous dialogue. We want our consumers to associate life's memorable moments with the Fazer brand, and in enjoying our products, experience our brand promise, **Northern Magic. Made Real.**

Fazer Group is financially robust and pursues strong ambitions for profitable growth. In 2022, our Group's net sales amounted to 1,122.2 MEUR and comparable EBITDA to 101.4 MEUR. Fazer Bakery's net sales amounted to EUR 432.9 million (408.7); Fazer Confectionery, EUR 461.4 million (429.0); and Fazer Lifestyle Foods, EUR 259.8 million (180.3).

NET SALES, MEUR



9.0%

Fazer Group's comparable EBITDA margin.



FAZER GROUP'S PRESIDENT AND CEO CHRISTOPH VITZTHUM:

Fazer performed well in 2022 in an operating environment reflected by soaring inflation, global supply chain challenges, and uncertainty regarding the war in Ukraine. Throughout the year, we cooperated closely with all key stakeholders, suppliers, and customers to ensure security of supply, business continuity and the profitability of our operations and the whole value chain.

Our net sales increased by 13%, mainly driven by price increases and non-organic growth from the Trensums Food acquisition. Net sales in all three business areas increased, and overall performance remained solid. We were able to absorb the biggest cost inflation impacts with price increases, and although increases were realised with a delay, we managed to defend our profitability.

I would like to thank all our employees and stakeholders for the work well done under these extremely challenging conditions. I am encouraged by the agility and flexibility of our people, and confident that we can continue to capture positive opportunities also in 2023.



Our decision to end all operations in Russia and to exit the country was a major event for Fazer in 2022. We managed to sell the Russian subsidiary quickly and were among the first western companies to exit the market.

Our decision to end all operations in Russia and to exit the country was a major event for Fazer in 2022. We managed to sell the Russian subsidiary quickly and were among the first western companies to exit the market. The divestment impacted the Group's result for 2022 with more than EUR 18 million.

Russia's attack on Ukraine also triggered an energy crisis of magnitudes not seen in decades, causing problems especially in the natural gas and electricity markets. Consequently, the energy markets were extremely volatile and unpredictable, and peaking electricity prices and availability issues severely impacted all our businesses throughout the year. As the majority of thermal energy used in our bakeries in Finland and the Baltics is provided by natural gas, the issue was particularly challenging for our bakery operations.

We reacted swiftly and invested in oil-fuelled back-up equipment for most bakery lines in order to mitigate the risk of energy supply disruptions. The need for the back-up equipment was, however, minimal during the year, and I am very pleased that we were able to fulfil all our customer commitments uninterruptedly and that our delivery accuracy maintained the very high standard our customers are used to.

Despite the highly challenging environment, we continued to develop our businesses and to invest in the company, reaching many milestones during the year. The project to build a state-of-the-art confectionery factory in Finland proceeded, and in May 2022, we signed a cooperation agreement with the city of Lahti. If realised, this investment would be the biggest in the history of Fazer as well as potentially the most significant investment in Finland's food sector.

In Fazer Bakery, we responded to the increased demand for oat products by expanding our capacity with an investment in a state-of-the-art oat bread production line at our bakery in Vantaa, Finland. In 2022, we opened 13 new shop-in-shop bakeries in Finland, and 3 new shop-in-shops in Estonia and started a pilot in Sweden. In Fazer Retail, several Fazer Cafés were opened in Finland and Gateau bakery shops in Sweden.

In Fazer Lifestyle Foods, we finalised our acquisition of the Swedish plant-based drink producer Trensums Food as well as the investment to increase our oat capacity in Koria, Finland. Our xylitol factory in Lahti started its commercial operations at the end of the year.

During the year, the source of consumer concerns quickly shifted from the pandemic to the invasion of Ukraine and rapidly rising prices, and households are now facing increasing financial pressure. There are clear signs of changes in consumer behaviour, with increased price-consciousness at its core.

With the strength of our brand, investments in our business, and our proven ability to respond to rapid change, I believe we are well equipped to respond to changing consumer demands, and at the same time, to remain resilient to the current challenges.

We expect the market environment to remain challenging for at least the first half of 2023. Uncertainty remains high in the commodity and energy markets and general visibility is low. In 2023, we will continue to focus on efficiency and agility without losing sight on our long-term strategic priorities.

KEY FIGURES 2022

KEY FIGURES

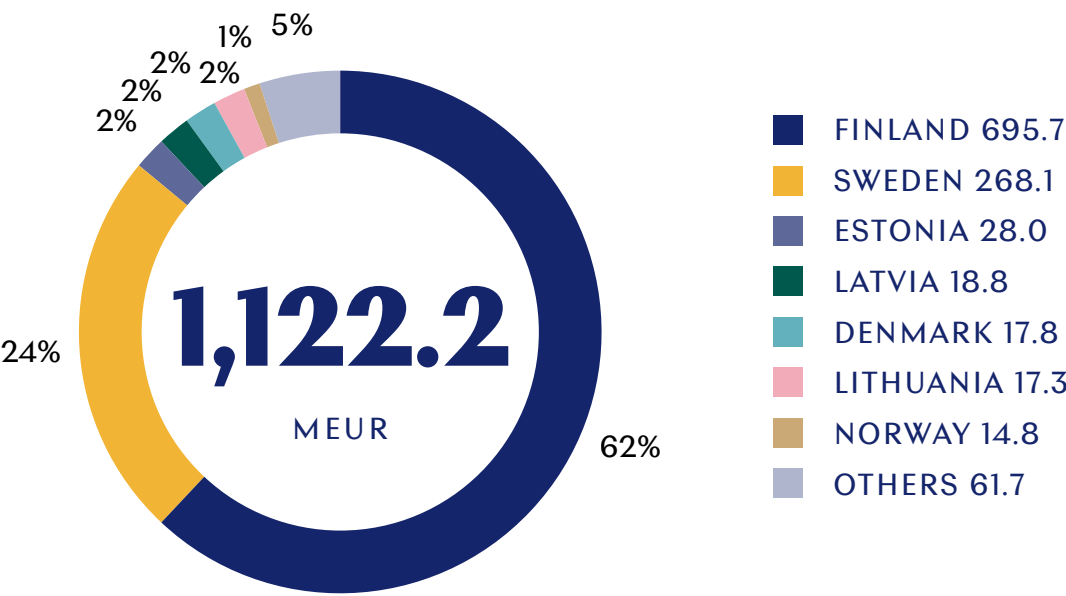
	2022	2021
Group net sales, MEUR	1,122.2	991.9
Comparable EBITDA, MEUR	101.4	112.4
Comparable EBITDA margin, %	9.0%	11.3%
EBITDA, MEUR	106.3	91.6
EBITDA margin, %	9.5%	9.2%
Comparable operating profit, MEUR	34.4	53.0
Comparable operating profit margin, %	3.1%	5.3%
Operating profit, MEUR	39.3	30.6
Operating profit margin, %	3.5%	3.1%
Profit before taxes, MEUR	38.2	36.2
Profit for the period, MEUR	16.2	32.0
Personnel, FTE month December*	4,875	4,711
Personnel, avg. FTE*	4,990	4,891
Return on capital employed (ROCE), %	4.0%	3.0%
Equity ratio, %	65.4%	68.3%
Gearing, %	9.9%	-10.9%

*Personnel figures presented as number of full-time equivalents (FTE)

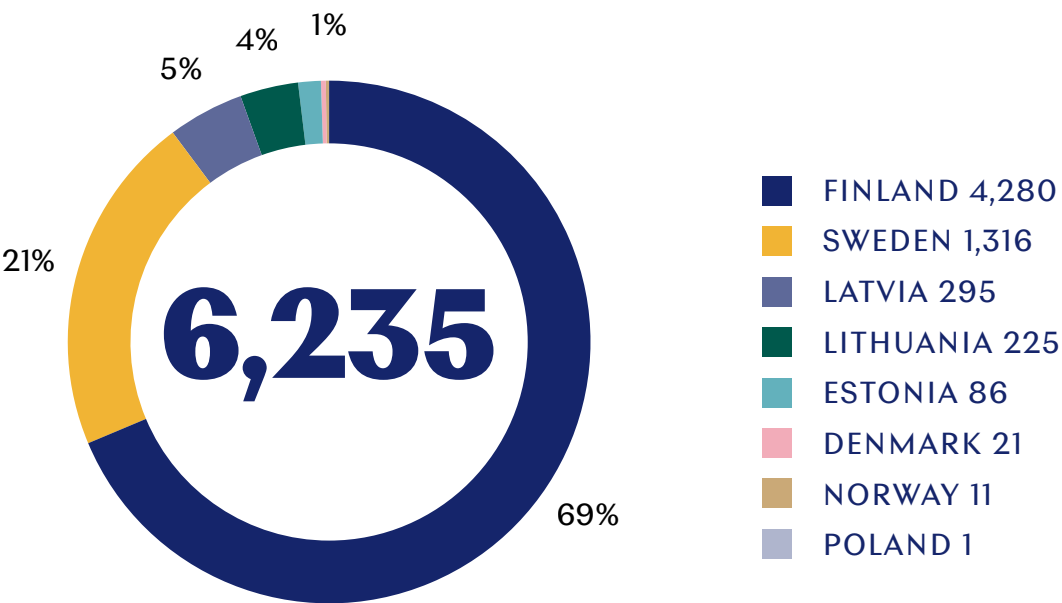
**Personnel figures presented as headcounts

FAZER BY COUNTRY

GROUP NET SALES BY COUNTRY, MEUR

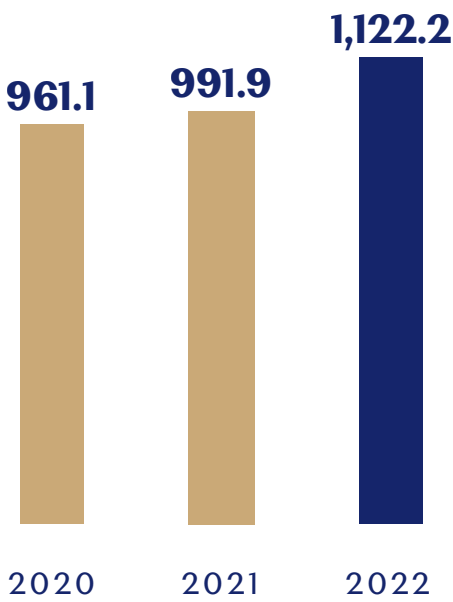


GROUP EMPLOYEES BY COUNTRY**

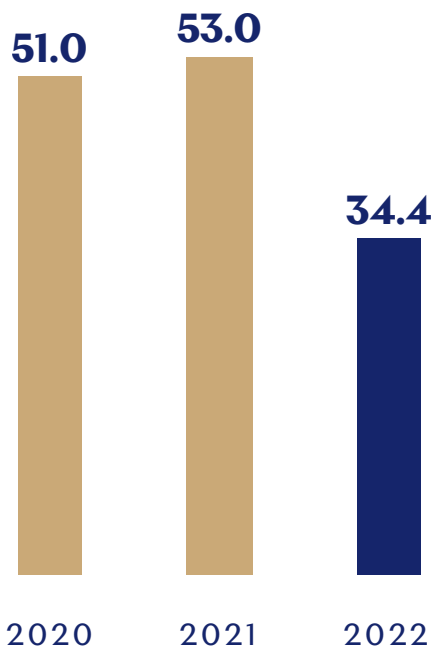


FINANCIAL INDICATORS

GROUP NET SALES, MEUR



GROUP COMPARABLE OPERATING PROFIT, MEUR



HIGHLIGHTS

We persevered in implementing our strategy and pursuing sustainability in our operations amidst pressurised market conditions in 2022.

Global inflation, increases in raw material and energy costs, as well as limitations in the availability of commodities shaped the macroeconomic environment during the year.

The invasion of Ukraine in February put further pressure on the availability of raw materials, particularly on grain, as well as on the supply of packaging materials and energy. Despite surging prices, we remained committed to using only domestic grain in our consumer products.

RUSSIAN SUBSIDIARY DIVESTED DUE TO RUSSIA'S ATTACK ON UKRAINE

Shortly after the start of the war in Ukraine, we ended all of Fazer's operations in Russia and sold our Russian subsidiary.

PLANS TO BUILD NEW CONFECTIONERY FACTORY

In January, Fazer announced its plans to invest in a new confectionery factory in Finland, and in May, the project proceeded as a cooperation agreement with the city of Lahti was announced. If realised, the new factory, with focus on chocolate products, will represent the biggest investment in the history of Fazer – as well as potentially the most significant investment in Finland's food sector.



XYLITOL FACTORY STARTED ITS COMMERCIAL OPERATIONS

Fazer's xylitol factory – the only one to produce xylitol from oat hulls in the world – started its commercial operations in Lahti, Finland, in the end of 2022. Utilising a unique, patented technology, the factory is an excellent example of a modern circular economy innovation.

THIRTEEN NEW BAKERY SHOP-IN-SHOPS OPENED IN FINLAND, TOTALLING 131

Each Fazer shop-in-shop bakery is an authentic and real Fazer bakery located inside a grocery store. Artisan bakers bake on-site, from scratch, by hand and without additives using domestic flours from our own mill in Lahti. In addition, we also opened three new shop-in-shop bakeries in Estonia, totalling 13 by the end of 2022. In addition we started a pilot project in Sweden to open the first shop-in-shop bakery in the country.

THE BELOVED KARL FAZER'S TOOTH ANNIVERSARY

Karl Fazer Milk Chocolate was launched in 1922, when it was first made from a secret Swiss chocolate recipe an acquaintance gave the Fazer family as a token of gratitude for a kind deed. Karl Fazer Milk Chocolate is made using the same recipe to this day. Since its beginnings, the chocolate's wrapper has carried the signature of Karl Fazer as a symbol of quality.



STUDYING THE POTENTIAL OF CELLULAR AGRICULTURE FOR FUTURE COCOA

Fazer initiated an R&D project in partnership with the VTT Technical Research Centre of Finland, which has already shown successful results in producing sustainable cocoa through cell culture technology.



NEW OAT PRODUCTION LINE INAUGURATED IN VANTAA BAKERY

We responded to the increased demand for oat products by expanding our capacity with an investment in a state-of-the-art bread production line at our bakery in Vantaa, Finland. The new, energy-efficient sliced bread line, which began operating in August, can produce up to 20,000 slices of bread per hour.

OAT DRINK PRODUCTION CAPACITY INCREASED

Our Korja factory doubled its production volume of oat drinks in June, further augmenting our output, which had already expanded through the acquisition of Trensums Food in February.

GRADUAL REMOVAL OF PALM OIL IN CONFECTIONERY AND BISCUITS

Fazer has committed to replacing palm oil in all its confectionery and biscuit products by the end of 2024. The principal goal for developing the products will be to maintain their delicious taste, texture, and mouthfeel, while avoiding unhealthy trans fats.



FAZER CREATES VALUE

Anticipating and fulfilling the expectations of consumers is the basis of how we create value in a rapidly changing world.

Fazer creates long-term value by continuously innovating and creating food experiences that support our businesses' profitable growth and generate a strong cash flow. At the same time, we actively contribute to building a more sustainable society and planet.

Our profound understanding of consumers' expectations enables us to shape the market as we continue operating in a challenging market environment. Supported by research insight, we can expand our business beyond product categories and develop high-quality products as consumers' needs evolve. In so doing, we secure our relevance to our customers and consumers, and thus reinforce our role in the future of food.

Besides satisfying the demands of our consumers and customers, Fazer creates value that benefits our shareholders, employees, suppliers, service providers, and partners. We invest significantly into our own operations, providing direct and indirect employment to thousands of people, paying taxes and social dues, and offering development opportunities to our own employees.

In addition, we purchase goods and services from thousands of suppliers and service providers as well as collaborate with farmers and other

“*Besides satisfying the demands of our consumers and customers, Fazer creates value that benefits our shareholders, employees, suppliers, service providers, and partners.*”

partners to advance sustainability and work systematically to mitigate our negative environmental and social impacts. Our aim is to continuously develop the sustainability of our entire value chain.

Fazer contributes to the well-being of society by cooperating with and supporting local stakeholders as well as communities through partnerships and donations.

We also consider universities and research institutes as essential stakeholders for Fazer. We generate innovations and advance academic research by sharing knowledge with them on a broad range of topics relating to food, health, and sustainability. In this way, we create further shared value for society.



CREATING SHARED VALUE

OUR CORE INGREDIENTS

OUR PEOPLE

- » Over 6,000 consumer-oriented and engaged professionals

PARTNERSHIPS

- » Close customer and supplier relationships
- » Collaboration with partners and stakeholders

NATURAL RESOURCES

- » Raw materials e.g. cocoa & grain
- » Packaging raw materials e.g. recyclable and biobased materials
- » Energy and water

PRODUCTION, DISTRIBUTION AND SERVICES

- » Production units: factories & bakeries
- » Cafés, shop-in-shop bakeries, online stores
- » Distribution network

INNOVATIONS

- » Research and product development

BRANDS & REPUTATION

- » Iconic Fazer brand and over 100 other brands
- » High-quality products and services

THE FINANCIALS

- » Strong balance sheet
- » Significant debt capacity
- » Healthy profitability and cash flow

OUR RECIPE

CONSUMER FIRST

Strong customer relationships combined with direct access to consumers in multiple channels



INCLUSIVE CULTURE

Organisation powered by shared purpose and strongly rooted values



PREFERRED PORTFOLIO

Consistently satisfying evolving consumer tastes, expectations and trends



REGIONAL FMCG CHAMPION

Winning formula for local markets with iconic cross-category brands



WE ARE THE FOOD EXPERIENCE COMPANY

OUR MENU

BUSINESS AREAS



SUSTAINABILITY AMBITIONS



UN SDGs*



WE CREATE VALUE FOR OUR STAKEHOLDERS

CONSUMERS

As a consumer-centric company, Fazer works to always understand and respond to the evolving consumer needs and preferences.

CUSTOMERS

Fazer's customers are at the heart of everything we do, and we are committed to providing them with the best products and services possible.

EMPLOYEES

Our employees are the driving force behind our success, and their commitment to excellence and innovation is what allows us to continue to grow and thrive.

SUPPLIERS

Fazer maintains strong relationships with its suppliers.

SHAREHOLDERS

Our shareholders support and invest in our company. They are integral to our success.

SOCIETY

Fazer is committed to making a positive impact on society and to being a responsible and compassionate corporate citizen.

UNIVERSITIES

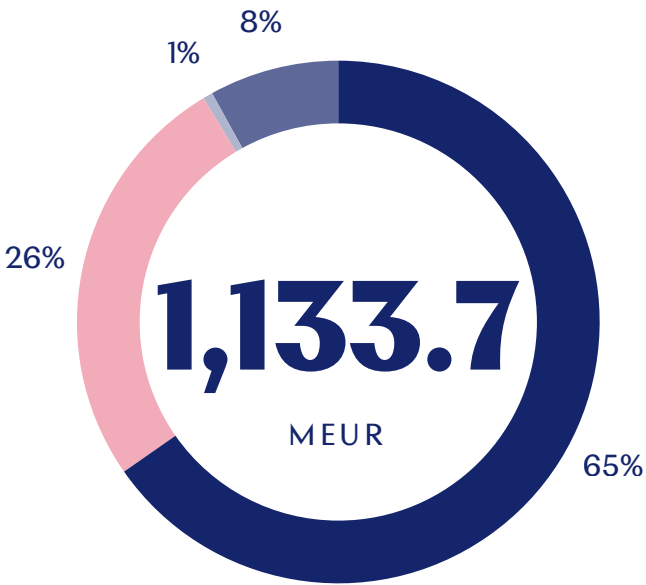
Fazer collaborates with and supports universities and research institutes in developing sustainable and innovative food ingredients.

*United Nations Sustainable Development Goals

ECONOMIC VALUE GENERATED AND DISTRIBUTED

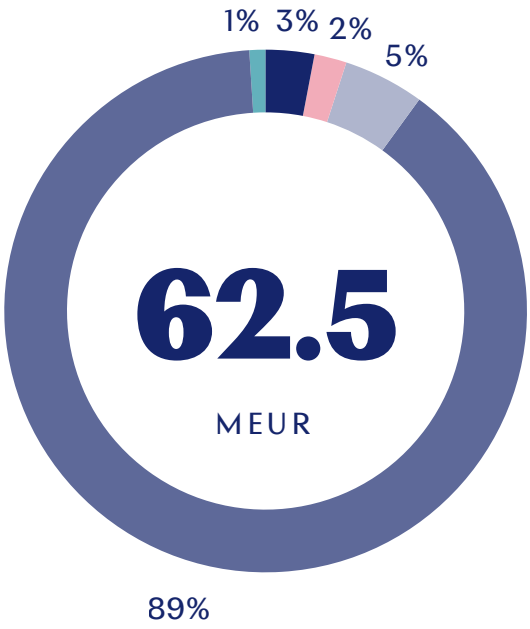
MEUR	2022	2021
Economic value generated		
Customers (net sales, income from sale of assets, income from financial investments, other income)	1,140.9	1,008.7
Economic value distributed		
Suppliers (purchases)	737.7	616.1
Personnel (wages and benefits)	294.3	295.8
Public sector (taxes)	6.6	14.7
Owners (dividends)	91.2	96.8
Financiers (interest and other financial expences)	3.6	2.5
Community (donations)	0.3	0.1
Economic value retained in business	7.1	-17.3

DIVISION OF ECONOMIC VALUE, MEUR



- SUPPLIERS 737.7
- PERSONNEL 294.3
- PUBLIC SECTOR 6.6
- OWNERS 91.2
- FINANCIERS 3.6

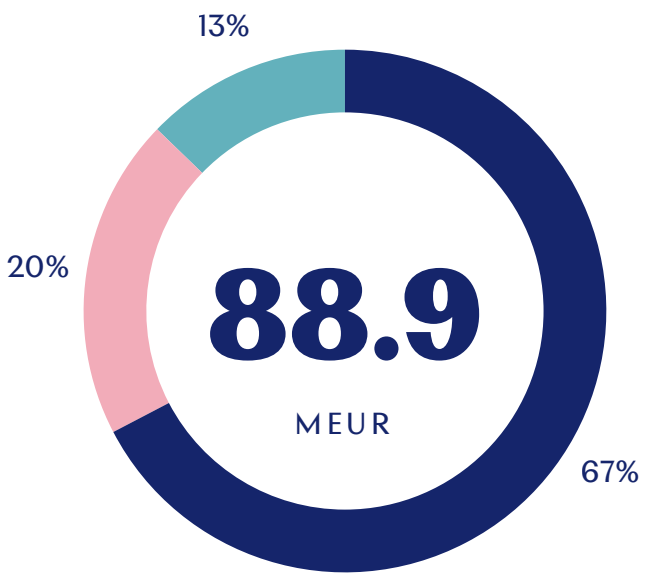
TAXES BORNE AND EMPLOYER CONTRIBUTION, MEUR*



- INCOME TAXES 1.7
- TAXES ON PROPERTY 0.9
- EXCISE DUTY 3.2
- EMPLOYER'S CONTRIBUTIONS 55.9
- OTHER TAXES 0.8

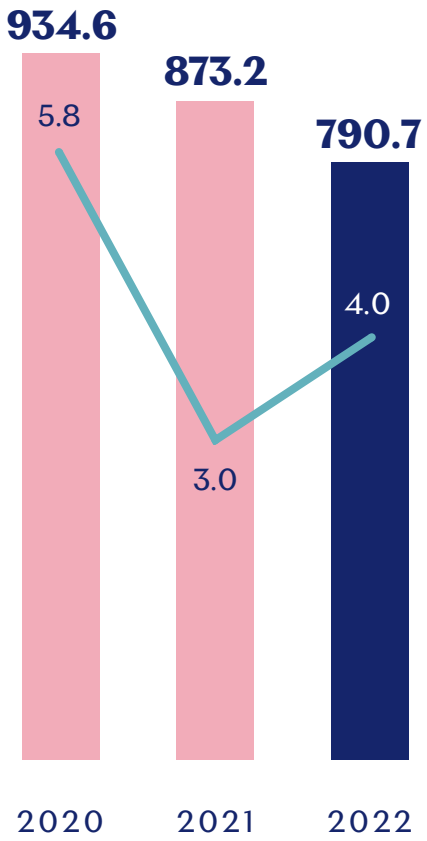
*INSURANCE TAXES AND ENERGY TAXES NOT INCLUDED

TAXES COLLECTED, MEUR



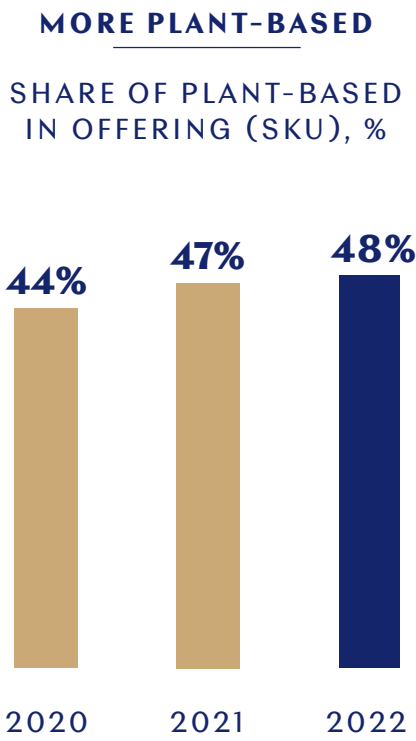
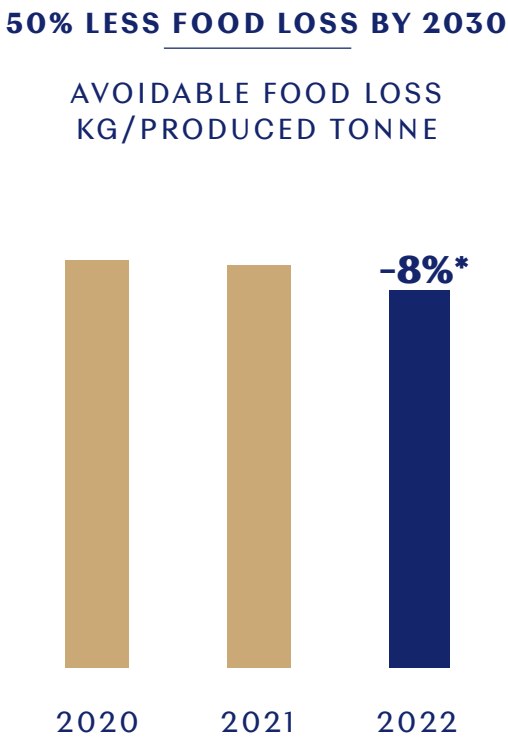
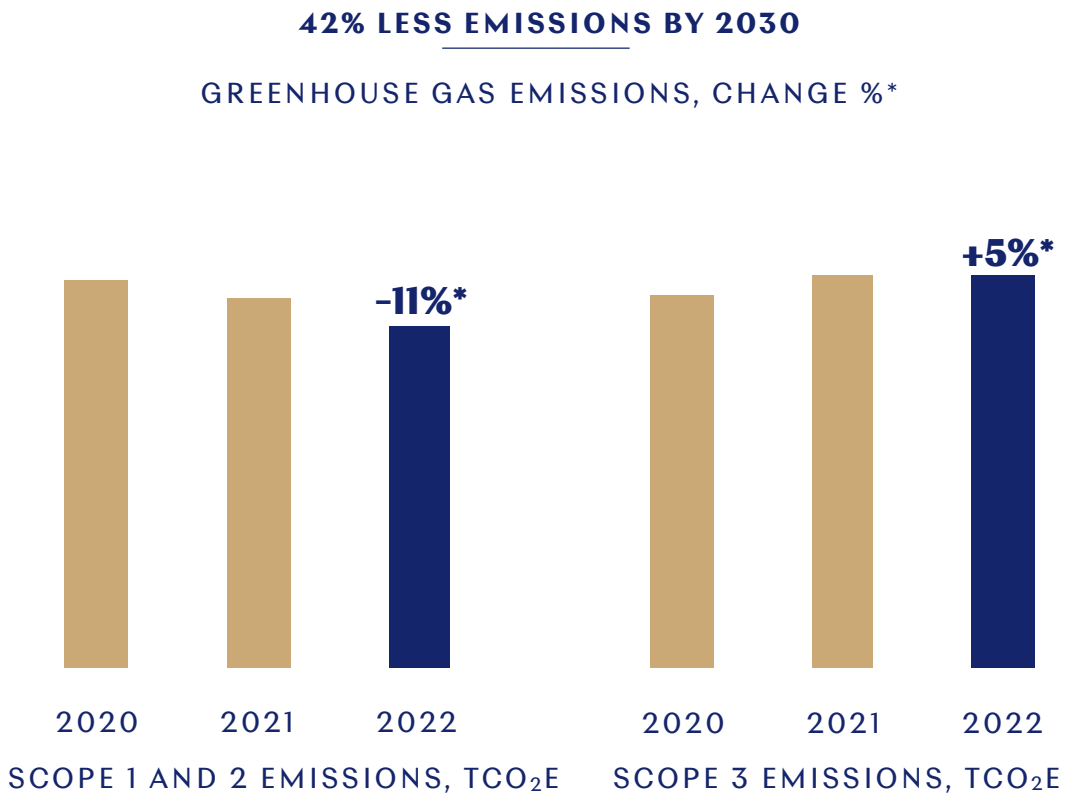
- PAYROLL TAXES 60.0
- VAT, NET 17.6
- OTHER TAXES 11.3

EQUITY AND RETURN ON CAPITAL EMPLOYED



- EQUITY, MEUR
- RETURN ON CAPITAL EMPLOYED (ROCE), %

SUSTAINABILITY PERFORMANCE



*CHANGE % COMPARED TO 2020 BASELINE

i For more detailed information about our performance, see the Climate and circularity section on **page 40**, Sustainable products and innovations on **page 46**, and Sustainable sourcing on **page 50**.



OUR BUSINESSES: FAZER BAKERY

Despite a challenging 2022 and our exit from the Russian market, we also experienced many successes in our Bakery business area.

Strategy and investments

The Russian invasion of Ukraine in February 2022 led to significant changes in our strategy and operating environment as we decided to exit all our operations in Russia. Fazer had three bakeries in St. Petersburg, and one in Moscow, employing approximately 2,300 people. Fazer's net sales from Russia mainly derived from the bakery business and totalled approximately EUR 157 million, accounting for 13 % of the total net sales for Fazer Group in 2021. We managed the complicated process well and were able to make quick decisions, although we had several stakeholders and severe consequences to take into consideration.

Like in all our businesses, we dealt with rising energy costs and high grain prices, combined with a significant raw material crisis, uncertainty around the availability of natural gas, and possible electricity shortfalls. These multi-layered challenges continued throughout the year, and we had to invest carefully to secure an uninterrupted course of business. For instance, we procured oil-powered backup systems for the Finnish bakeries in case of a potential natural gas shortage.

The development of our product portfolio was one of our most important key strategic initiatives. We have been successful in growing the oat bread

category in Finland and have launched several oat novelties in Sweden and the Baltics. Rye bread consumption is in decline, but we are working to turn this trend around. We are performing strongly in the coffee bread category in Finland and as part of this multi-presence initiative, we will focus more on this category in our other home markets as well. The savoury sub-category is growing, and our aim is to also become stronger in that segment through new product launches.

To promote synergies and agility across borders, we have actively and successfully sold our range of products made in our Swedish bakeries in Finland and the Baltic countries as well. In 2023, we will also make our Finnish product range available in Sweden.

As another key strategic initiative, we grew our shop-in-shop bakery network. In Finland, we opened 13 new shop-in-shop bakeries, bringing the year-end total to 131 and in Estonia, we added 3 shop-in-shop bakeries for a total of 13. At the beginning of 2023, we will open our first pilot shop-in-shop bakery in Sweden.

Business performance and market position

To keep up with the rise in material and energy price levels, we likewise had to increase our prices in all markets. High inflation and increases in both interest rates and food prices affected consumer behaviour and purchasing power.



Fazer is the market leader in the bakery industry in Finland. In 2022, Fazer Bakery Finland achieved a market-leading position in the portion bread category and in fresh gluten-free bakery products. Moreover, we continued to improve the quality of our artisan bread in our shop-in-shop bakeries in Finland and our aim is to gradually increase the use of higher-quality flours in our packed products as well.

Fazer Bakery has grown its market share in Sweden compared to the previous year and is now the second largest player in the market. In the Baltic countries, we are also one of the largest bakeries and have managed to defend our share despite a challenging inflationary environment.

Products and brands

In Finland, the demand increased in white bread thanks to our successful novelty launches, such as Fazer Lemppari toast buns, Oululainen Reissumies Tosi Tumma Kaura and Fazer Puikula Mysli. We were also able to further strengthen our market leadership in dark sliced bread. Our well-known house brands give us a clear competitive advantage. For example, our shop-in-shop brand Fazer Leipurit has increased in popularity over the years and consumers have come to associate it with attributes such as localness, quality, and responsibility.

In Sweden, our local brand Skogaholm, especially its bestselling Skogaholmslimpa, performed exceedingly well. We were able to gain further market share in a declining market. In the Baltics, we succeeded in launching our Fazer Street Food portfolio, the first Baltic concept that offers consumers different specialty and bread products from around the world, such as burger buns and various flat breads. We also continued to strengthen our position in the growing toast segment in the Baltics.

Campaigns and awards

The Reissumies campaign “For those who choose their own path” won several awards in 2022 from competitions such as Grand One, Vuoden

Huiput and the Finnish Comms Awards. In this campaign, which was introduced in 2021, the iconic Reissumies brand took a stand to support men’s diversity and tolerance.

Also, the shop-in-shop bakeries’ campaign “Not a single crumb wasted” won the Finnish Comms Awards in the Education category. Reducing food waste is one of the most effective ways to decrease the environmental impact of food, and the aim of this campaign was to change how consumers perceive fully stocked bread shelves.

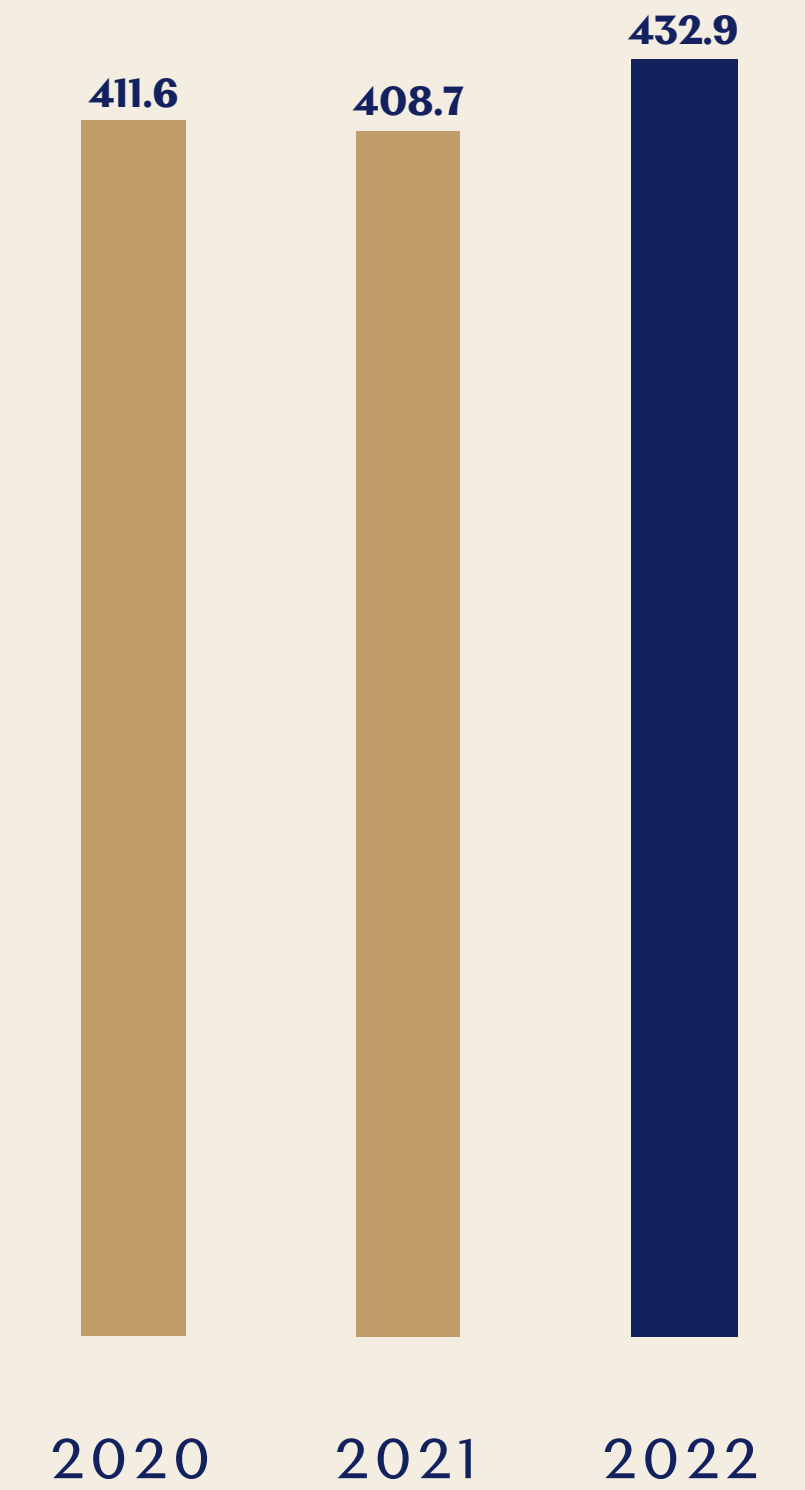
During autumn 2022, Fazer Bakery Sweden became a new partner of the Swedish Cancer Society Cancerfonden and its Pink Ribbon campaign. From September to October, five Fazer bread products featured a limited design. We donated 1 SEK for every pack sold and in total, we raised 1.3 M SEK for Cancerfonden during the campaign period.

Trends

During the second half of the year, consumers started paying closer attention to their spending, evaluating which purchases are essential and actively cutting down on those that are not. As people focus on prices, special offers or campaigns become more appealing than ever. Affordability – not necessarily going for the least expensive or cheapest option – seems to be a key theme in all our home markets. We expect this trend to continue and perhaps even accelerate in 2023. On a positive note, the situation has emphasised the need to minimise food waste at home to cut costs and promote smarter consumption.

In Finland, 98% of households buy bakery products such as dark bread, white bread, and sweet bakery items. We do not foresee any change in this behaviour, as bread is considered an essential staple food. Furthermore, people feel the need to share special moments with friends and family, especially during times of hardship, and this is where our sweet bakery products play an important role.

NET SALES
FAZER BAKERY, MEUR



We are working to better communicate the benefits of buying hand-baked bread, and this is the aim of our "Delicious to the very last crumb" campaign. We want consumers to feel that our bread is worth every euro, and that they can enjoy our products for several days.

It is also crucial to make sure our selection includes items at various price points. Price sensitivity is less prevalent during festive seasons and holidays than in everyday situations. This motivates us to create visually appealing, irresistible seasonal treats.

Sustainability

Sustainability is a key component of our bakery strategy. We have set targets and are working in all our bakeries to reduce emissions and food loss. Fazer Group's Grain vision – which aims to enhance sustainable farming in cooperation with local farmers – is an essential part of our bakeries' sustainability work as grain is our most used raw material. We are also systematically reducing the use of plastic in our products and introducing palm oil-free products to the market.

To optimise our production footprint, we made a significant investment in a new portion bread line in Vantaa, Finland. This new, state-of-the-art production line will directly contribute to our sustainability goals as the CO₂ emissions of Vantaa bakery will be reduced by approximately 8% per year. The new, energy-efficient sliced bread line started operating in August 2022 and it aims to boost manufacturing capacity, increase production flexibility, and improve profitability. It produces up to 20,000 slices of bread per hour, about double the volume of the previous one.

In Finland, we also invested in new high-capacity trucks (HCT). These new vehicles decrease road stress and reduce CO₂ emissions by approximately 6% annually.



We have set targets and are working in all our bakeries to reduce emissions and food loss.

In terms of our work to develop environmentally friendly packaging, we have changed the plastic used in our bread bags to only polyethylene (PE), which is 100% recyclable. In 2022, we reduced the plastic in our packages by 20,500 kg. Since 2018, we have saved a total of 151,000 kg, which amounts to a 19.2% decrease in the use of plastic.

In Sweden, the introduction of a new operating model has significantly lowered our CO₂ emissions in logistics. We continued our work with sustainable plastic alternatives, and we have reduced the use of shrink film by 25% as part of our plastic reduction scheme. For example, trimming the plastic in the packaging for Skogaholmslimpan resulted in a reduction of 6,300 kg of plastic every year. In addition, we cooperate with Matmissionen, a social supermarket, where we donate excess bread, thereby reducing food waste.

In the Baltics, our actions to prolong product shelf life and the implementation of a new toast production line significantly improved food waste optimisation efforts and contributed to reducing the product scrap rate by more than 30%. Continuous development in changing our packaging materials has resulted in the use of 100% recyclable plastic for 60% of our total bread portfolio in the Baltics.

CASE: OUR NEW OPERATING MODEL IMPROVED THE PERFORMANCE OF OUR SWEDISH BAKERIES

Following the introduction of a new operating model in Fazer Bakery Sweden in 2021, including a reseller and distribution agreement with Polfärskt, we are now witnessing the favourable results of that transformation.

Thanks to this new business model, we have become part of a collaboration that is scalable and enables cost-efficient distribution in the Swedish market. This allows us to sell and distribute our products effectively. Through this go-to-market model we optimise deliveries to stores, which is also positive from a sustainability perspective.



OUR BUSINESSES: FAZER CONFECTIONERY

Fazer Confectionery took strides towards its strategic goal of becoming an international brand with a leading position in the Nordics.

Strategy and investments

At Fazer Confectionery, we aspire to become an international consumer-centric confectionery brand with a leading position in the Nordics. We have outlined different roles for our key markets and identified growth opportunities to help us reach this aspiration.

We have identified five strategic projects to realise our strategy, which were updated in 2022. We win by driving a consumer-centric portfolio strategy; making sustainability part of our daily lives; exploring new growth; making well-being happen; and building operational excellence.

We are working to become a leading player in Finland and a first-in-line challenger in Sweden, Denmark and Norway. In the Biscuits & Crisps category, we want to build our presence in Finland and in international markets with a portfolio centred on emerging trends related to indulgence and well-being.

We aim to establish significant healthy growth for example in Travel Retail and Fazer Retail, our objective is to unlock growth in a post-COVID new normal market. In the Baltics and Poland, we want to focus on maintaining margins while driving net sales.

We also seek to build growth. In Asia and international markets, we plan to achieve this through our own organisations, partners and distributors.

We want to secure future growth in all our channels, from our own e-commerce business to those of our customers and other e-commerce marketplaces.

In 2022, Fazer announced plans to invest in a new state-of-the-art confectionery factory in Lahti. The investment is important not only for Fazer Confectionery, but also for Fazer Group. The project name FC2030 reflects this orientation towards the future and honours the UN's 2030 agenda for sustainable development.

Fazer is in the basic engineering phase of the project and investigates the transfer of the production of chocolate products. Our aim is to build the most modern confectionery factory in the world. The plans for the facility pay special attention to sustainable energy solutions and means to improve energy efficiency.





We established a new business unit, Biscuits & Crisps, to drive a focused approach to our growth strategy.

Business performance and market position

For Fazer Confectionery, post-COVID recovery proceeded quickly during the year. In our Travel Retail business, sales benefitted from consumers travelling more frequently than anticipated, and sales developed favourably.

Our Retail business, including our Fazer cafés and Gateau bakery shops, also recovered well from the pandemic and in 2022, we opened three new Fazer Cafés in Finland as well as two Gateau shops in Sweden.

In the Biscuits and Crisps category, Fazer strengthens its position in Finland and abroad. We established a new business unit, Biscuits & Crisps, to drive a holistic and focused approach to our growth strategy and to strengthen the internationalisation of the category.

In Finland, our biggest market, the countlines continued their good performance. We were able to launch products in new categories, such as gluten-free biscuits and Easter mousse eggs. Moreover, our novelties in the pastilles category successfully increased their market penetration.

During the year, we also established our own sales organisation in Poland to replace the distributor-based setup. We will continue to strengthen our leading position in Finland and expect growth to continue in markets

outside Finland. We are constantly evaluating different options to fill gaps in our portfolio and create growth in our Nordic home markets and in the EU.

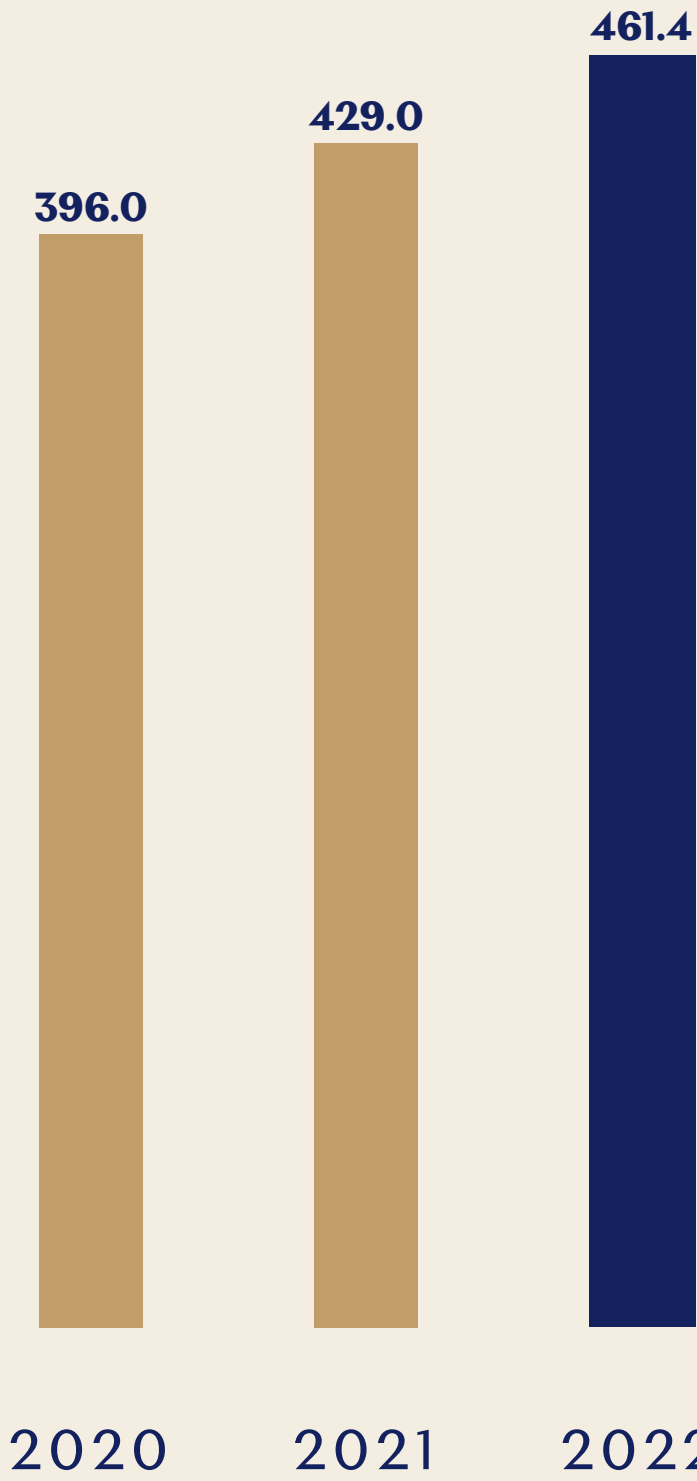
Products and brands

Fazer is one of the most loved and trusted companies in the Nordic and Baltic regions, and our strong brands serve as the very foundation of that reputation. The consumer is at the heart of all our decision making. We develop our portfolio by tapping into insights and looking at trends, then translating these into products that delight our consumers.

Dumle, Tutti Frutti, and Karl Fazer emerged as the three with the largest geographical footprint and appeal across markets. During the past year, our most relevant brands were Karl Fazer in chocolates; Tutti Frutti and Remix in sugar candy bags; Dumle, Kina, Suffeli Puffi, and Marianne in chocolate bags; and our countline brands such as Karl Fazer, Kismet, and Pätkis.

In terms of products, the areas where we have seen excellent development are our crunchy countline series, which has led to a significant growth in market share; our summer novelties in Dumle and Tutti Frutti; and our wrapped pralines, which have shown great momentum.

**NET SALES
FAZER CONFECTIONERY,
MEUR**



Trends

Sustainability is one of the biggest themes that we have seen in our sector; at Fazer, we treat it as a business imperative. Our work to take the lead in sustainability continues in various fronts, from raw materials and packaging to our manufacturing process. In 2022, our actions included further moves to increase the traceability of our cocoa, as well as to replace palm oil in our confectionery and biscuits and develop our vegan offering.

A second major theme involves experience and enjoyment. Consumers are continuously looking for multi-sensory products that give them pleasure and allow them to indulge. We are building our portfolio to keep pace with this need.

Our brand communications are moving towards a purpose-driven approach that responds to consumers who acknowledge their power and ability to impact change. In 2022, for example, we marked the occasion of our cherished Karl Fazer Milk Chocolate's 100th anniversary by charting Finns' views on kindness. A century ago, an Englishman gave the recipe for what was to become Fazer Blue to the Fazer family as a thank you for a favour. Inspired by this act of kindness, we then built a campaign around this engagement with our consumers.

Consumers who cherish a sustainable lifestyle will become even more relevant going forward. Our work to take the lead to cater to their needs continues, whether that involves adjusting our packaging, our raw materials, or our manufacturing process.

Lastly, as the population ages, the focus on health and well-being is increasing accordingly. How we create products that enable people to make healthy choices is going to be important.

Innovations

Over the last twelve months, we began the process of replacing palm oil in our confectionery and biscuit products. Changes to recipes will be made gradually, and we hope to complete the phaseout of this ingredient by 2024. Preserving the delicious tastes, textures, and mouth feel of our classic products is a top priority, along with ensuring the sustainability of the raw materials we use.

Due to technical differences between products, we cannot replace the palm oil with a single alternative. Rather, we will require different solutions for different products. In the end of 2022, 96% of our biscuit products were palm oil free. The remaining 4% are small seasonal products that will be changed by the end of 2024.

Moreover, Fazer is exploring the potential of cellular agriculture for future sustainable cocoa raw material production. This three-year R&D undertaking is part of CERAFIM, a larger Finnish research project in cooperation with VTT and funded by Business Finland.

In addition, we are looking into other solutions and opportunities for sustainable cocoa and chocolate production, such as alternative raw materials. These launches are planned for 2023. We also have a programme for the future of candy where we investigate solutions for sugar-free, plant-based innovations in the sweet category.

Representing Fazer's focus on food experiences and the sustainable food solutions of the future, our Master Confectioner Eero Paulamäki became the first-ever Finnish finalist in the World Chocolate Masters competition in Paris, which took place in October 2022. As one of the 18 top talents, he shared his vision of what chocolate will taste, look, and feel like tomorrow. Paulamäki prepared entries using Fazer's own ingredients, such as oat protein and xylitol.

CASE: NEW CONFECTIONERY FACTORY SET TO BE FAZER'S LARGEST-EVER INVESTMENT

In January, we announced plans to invest in a new world-class confectionery factory in Finland to meet future consumer expectations, and to improve energy efficiency. In May, the project proceeded and a cooperation agreement with the city of Lahti was announced.

Due to the significant changes in the operating environment after these announcements, we announced in March 2023, that we had decided to change the scope of the planned factory and explore only the possibility to transfer the chocolate production to the new factory in Lahti. The sugar confectionery production will thereby remain in Lappeenranta. If realised, this will represent the biggest investment in the history of Fazer – as well as potentially the most significant investment in Finland's food sector.

Our long-standing core values such as high quality, reliability, sustainability, and safety will guide the operations of the new factory, boosted by knowledgeable and engaged employees. Using digitalisation and automation, the factory is set to provide high-quality and competitive Finnish products and offers opportunities for expansion in the years to come.



At Fazer, we treat sustainability as a business imperative.

Sustainability

During the past year, we created the Fazer Cocoa Standard, which describes Fazer's concrete requirements for sustainably sourced cocoa. A third party conducted verifications in Ecuador, Ivory Coast, and Nigeria. Together with the independent auditor SCS Global Services, we put together the Fazer Cocoa Standard criteria, benchmarking it against recognised standards, such as the Rainforest Alliance and Cocoa Horizons, and aligning with industry best practices.

Customer demands, risk assessments, and research papers were also factored into the standard. Criteria are evaluated on a regular basis at least every three years to ensure that Fazer's Cocoa vision is on par with developments in the cocoa industry. The latest verification was conducted for the 2022–2023 harvest season in December 2022. More detailed information can be found on fazergroup.com.



OUR BUSINESSES: FAZER LIFESTYLE FOODS

Fazer Lifestyle Foods' ambition is to become a leading Northern European player in plant-based foods, known for our ability to combine delicious taste with a sustainable lifestyle. We seek to grow by focusing on what we know and love best – Nordic oats.

Strategy and investments

Over the last three years, Fazer has invested approximately EUR 300 million in the Nordics. Most of these investments aim at growing our oat business.

In non-dairy, we took a huge leap forward in implementing our strategy with the acquisition of Trensums Food, a food company based in Tingsryd, Sweden. By securing additional oat drink production capacity, the investment makes us a significantly stronger player in the Nordic and European market for plant-based drinks. With its extensive manufacturing and R&D expertise, the company also further strengthens our already strong know-how in oats.

In June 2022, we completed the work to double our capacity at Fazer's Koria factory and improved our oat processing capabilities. The increased production capacity creates a foundation to broaden our selection of Fazer Aito oat-based products; drinks, cooking products and gurts, and improves our competitiveness.

To ensure efficient capacity utilisation of our modern mills and to better leverage our scale and capabilities, we decided to fully integrate our two mills, in Finland and in Sweden, into one Nordic business unit called Cereals, wherein we strongly focus on our businesses in B2B, including Private Label and Exports, and in B2C with sales to consumers in our key markets. In B2C we have begun to revitalise our brands and portfolios and aim to grow significantly in the Nordic breakfast market.

In Foodtech, we finalised the ramp-up phase and began commercial operations at the end of the year at our new xylitol production site in Lahti, which manufactures xylitol using oat hulls as the raw ingredient. The focus on sustainability, sugar reduction and plant-based trends continue to increase in popularity at the consumer level, making our Foodtech portfolio highly relevant for customers.

To accelerate profitable growth, we sharpened our strategy at Fazer Lifestyle Foods and redefined the must-win battles and strategic key initiatives at the end of the year. We further evolved our operating model and clarified roles and responsibilities to improve our ability to execute the strategy. In July 2022, Krister Zackari assumed his position as Managing Director of Fazer Lifestyle Foods and member of the Fazer Leadership Team.





We believe in the long-term growth of plant-based eating.

We have ambitions to expand our geographic footprint and are exploring possibilities to strengthen our presence in Northern Europe. Our aim is to grow in the global oat and xylitol markets by also serving customers further away. The economic environment and its impacts on consumer behaviour, however, will most likely affect the speed of growth.

Business performance and market position

As with all businesses, Fazer Lifestyle Foods had to manage a challenging market environment of high inflation, raw material and energy price increases and availability limitations. Despite the challenging operating environment, we managed to integrate Trensums Food business into Fazer and also completed major projects of the Korja factory and the xylitol manufacturing plant in Lahti.

In the Mills' business, the demand outlook was challenging as the market volume was in decline. High costs kept prices elevated, and consumers were more price sensitive than they had previously been. However, Cereals has a good position in its main markets in Finland and Sweden and is well equipped to respond to these changes. Our world-class milling capabilities form a solid foundation for our business, and during the year we achieved a significant ramp-up of our new oat mills in Lahti and Lidköping.

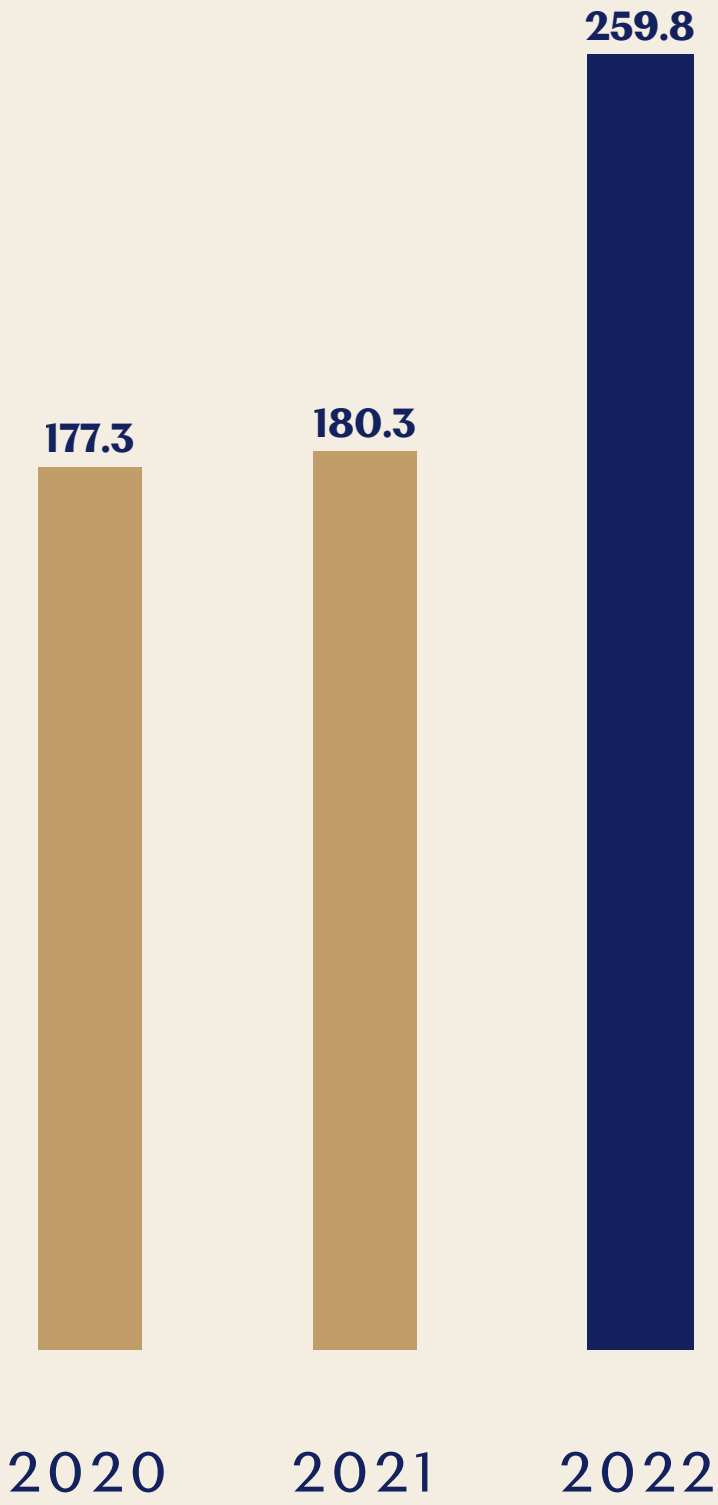
In Non-dairy, the demand for plant-based drinks started to slow down towards year end. The market was vastly price- and campaign-driven and we faced tough competition in all our home markets. As cost inflation was very high, price increases did not fully cover increased costs.

In Fruit, despite a strong post-pandemic recovery, the smoothie market started to slow down towards the end of the year due to inflation and reduced consumer purchasing power. However, Froosh gained share in most markets and is now the number one player in smoothies in the Nordics. There was solid top line growth and improved profitability despite increased cost levels.

In Foodtech, we finalised the commissioning of the xylitol factory with first deliveries sent to our customers. In addition, we updated our innovation pipeline and process to better reflect the B2B focus on oat derivatives such as oat syrup and ingredients derived from side-streams.

We believe in the long-term growth of plant-based eating. We continue our work to promote it and provide consumers with tasty, nutritious solutions to support a healthy lifestyle. Oat is an excellent ingredient with immense future potential, as it can be used for many purposes.

**NET SALES
FAZER LIFESTYLE FOODS,
MEUR**



Brands and portfolio

In the Mills' business, we continued active portfolio development within the core breakfast range under Fazer Alku. We introduced a new gluten-free-range in-home baking and porridge flakes in Finland as well as several confectionery branded novelties in all markets, such as Fazer Dumle Granola. In addition, we carried on with the commercialisation of oat rice across the Nordics and launched Frebaco granolas in Sweden. The market situation was challenging for Fazer Alku, while Frebaco was able to gain market share.

In Non-dairy, we merged the Fazer Yosa portfolio with Fazer Aito, consolidating the brand to focus on plant-based drinks, gurts and cooking products. The move simplifies our offering for consumers and trade customers while boosting efficiency in sales and marketing. Over the past year, we worked significantly to improve our product formulation, especially in gurts. We introduced new gurt variants without added sugar and furthermore adjusted oat drink recipes and launched new oat-based fraiche products in the market. We have ambitious internationalisation plans and are therefore currently renewing our Fazer Aito brand and portfolio strategy to better answer to international needs as well.

In the Fruit business, we also carried out significant work to increase efficiencies and improve the performance of Froosh, our brand focusing on healthy and energising fruit-based smoothies. The portfolio was streamlined, and during the summer months, all Nordic markets ran visible in-store promotions that featured a limited-edition smoothie. In addition, a limited-edition smoothie for the end-of-year holiday season increased off-take during a period when consumers tend to pay less attention to fruit-based beverages.

Innovations

Fazer Lifestyle Foods aims to commercialise and build a winning foodtech portfolio and to drive profitable growth by seeking scalable innovations

through Fazer Foodtech. Fazer oat xylitol is the centrepiece of the foodtech portfolio, where the new plant in Lahti started commercial operations at the end of 2022.

Alongside xylitol, the Foodtech team has developed a range of oat derivatives with unique health benefits. Our goal is for Fazer to have a wide breadth of oat products and derivatives for the international market, securing our position as a true leader in oats.

Furthermore, the Foodtech portfolio includes a unique variety of enzymes which can be used to reduce the amount of the molecules in food that can cause bloating and digestive disorders, also known as fructans. Innovation will play a key role in delivering these new ingredients to market.

Trends

In 2022, consumer behaviour was affected by price inflation, a rise in energy prices, a turbulent economy, and the war in Ukraine. As food is a necessity, we expect this will be among the last areas where people reduce their consumption, but consumption and shopping habits have changed and will continue to change.

We see an upswing for private label and discount retailers and a preference for products and channels that are perceived to have a lower price. In some categories, we also observe an upturn for larger packaging as another route to affordability. Both consumers and retailers continue to favour locally produced items.

All these themes are relevant for our business area, and some Fazer Lifestyle Foods categories will benefit from them while others might be challenged by them. Being a local producer, using locally produced ingredients, and focusing on healthy plant-based products has worked to our advantage. Working with both branded premium products and private label offerings gives us a good foothold in a rapidly changing environment.

CASE: OUR NEW TINGSRYD OAT-DRINK PLANT IS A PLATFORM FOR FUTURE GROWTH

Owing to their good taste and low environmental impact, oat drinks are steadily gaining popularity among consumers who opt for plant-based products in their daily diets.

Our acquisition of Trensums Food gives Fazer an excellent springboard for multiplying our plant-based oat drink production capacity and gaining access to new non-dairy markets. With its sizeable capacity, efficient operations, and state-of-the-art production, the Tingsryd plant in southern Sweden is well positioned to meet this growing demand for oat drinks and is in an ideal location for exports to Europe, which also supports our aim to establish our position in the region.

We have great growth expectations for plant-based products in the long-term, and highly value the R&D expertise of the Tingsryd team which will add to our already strong knowhow. All Trensums Food employees, which number at around 180, will continue as part of Fazer Lifestyle Foods.

Demand for oats is growing strongly, and we want to embrace a plant-based lifestyle to promote people's well-being and – at the same time – do good for the planet.



We reached a significant milestone in Fazer's Grain vision programme as 50% of Fazer Mills' contract farmers in Finland already fulfil all ten of Fazer's Sustainable Grain Farming principles.

Sustainability

With a focus on plant-based food experiences, Fazer Lifestyle Foods is an active driver of Fazer's sustainability agenda and a key contributor to the initiative of providing more plant-based products to consumers.

One shift we are seeing is the temporary decline in consumers' focus on sustainability. When spending power clearly diminishes, there are signs that people step away from organic and other sustainable products which may not always come at higher price points. Price has become the decisive factor determining purchase decisions for an increasing number of people. However, sustainability remains high on Fazer's agenda as a food company, and we expect consumers return once circumstances improve.

In 2022, we continued to work on decreasing food loss and emissions, as well as packaging material reduction. For example, in our Mills business unit, we decreased the amount of retail packaging material in Mills Sweden by almost 30% by shortening the length of the bags and using thinner packaging material. In Non-dairy, we switched to lighter plastic cups in our gurt range, produced in the Korja factory.

In our Fruit business, we have made steady progress towards achieving our target of zero scrapping. We have not scrapped finished products due to too short best before dates but sold them via surplus food stores or donated them to charity.

We worked actively to promote circular economy in our own operations and in our value chain and further minimised our environmental impact. As an example, we launched what is arguably the most sustainable xylitol in the world, using an upcycled ingredient from our own production through circular economy.

We reached a significant milestone in Fazer's Grain vision programme as 50% of Fazer Mills' contract farmers in Finland already fulfil all ten of Fazer's Sustainable Grain Farming principles. Despite rather challenging rye cultivation conditions, we were able to secure 100% domestic rye for our customers during the past year.



MARKET ENVIRONMENT AND FOOD SECTOR TRENDS

The year 2022 was overshadowed by the war in Ukraine. The consequent energy crisis and surge in raw material prices, along with the highly inflationary environment, food price increases, general consumer distress, as well as food supply shortages around the globe put significant pressure on the sector as a whole.

The entire value chain impacted by the crisis

While supply chains have been in a state of disarray since the COVID-19 pandemic, the war in Ukraine had knock-on effects specifically on supply chains for food, with significant impacts on the whole value chain, from production, sourcing, manufacturing, processing, and logistics to retailers and consumers.

As a result, the availability and supply of a wide range of raw and other materials were affected, driving up prices of everything from fertilisers, wheat, and packaging materials. To ensure security of supply and profitable operations throughout the





Although the short-term outlook shows cost-consciousness and changing consumption patterns among consumers, we expect the food transition to continue and for long-term trends to remain unchanged.

value chain, during the year, Fazer cooperated closely with all its main stakeholders – among them producers, suppliers, and customers. Both supplier and customer negotiations were particularly active due to the challenging inflatory market environment.

The global energy crisis caused problems in natural gas and electricity in particular

Food processing is energy intensive, and the majority of thermal energy is generated by natural gas-fired boilers. The single largest use of electrical energy goes to refrigeration purposes. Fazer's bakeries in Finland and the Baltics are mainly fuelled by natural gas.

In 2022, Fazer had to invest in oil-fuelled backup equipment and make contingency plans in case of severe energy disruptions. To reduce single-source energy dependency, we updated our energy strategy during the year. On the bright side, the global energy crisis could speed up the transition to a more sustainable and secure energy system, which in turn would support Fazer's energy transition.

Food costs increasingly weighing on consumer behaviour

In 2022, food price inflation soared to levels unseen in decades. Combined with rising electricity prices and interest rate hikes, households faced mounting financial pressure. Due to this, clear signs of changes in consumer behaviour were seen, with price-sensitivity as the main upshot.

Value for money began growing in importance, and during the latter half of the year, consumers prioritised private labels, low prices, discounted products, and campaigns. Rapidly changing consumer preferences, behaviour, and shifts in channels – such as switching from e-commerce to brick-and-mortar stores and cheaper alternatives such as discount retailers – require us to be flexible and quickly optimise our offering to meet changes in demand.

LONG-TERM TRENDS IN THE FOOD SYSTEM - THE FOOD TRANSITION CREATES NEW EXPECTATIONS

Although the short-term outlook shows cost-consciousness and changing consumption patterns among consumers, we expect the food transition to continue and for long-term trends to remain unchanged.

Sustainable products

Climate anxiety and the demand for sustainable and plant-based options drives younger generations to revolutionary behaviour, which in turn also strongly influences older consumers. More and more consumers are making dietary choices that support their own health while doing better for people and the planet. While people are more price-conscious than ever, sustainability continues to be a key priority. However, for the short term, the willingness to pay a premium for sustainability has declined.



Russia's invasion of Ukraine triggered an energy crisis of a magnitude not seen in decades, causing problems especially in the natural gas and electricity markets. Energy markets were extremely volatile, with unpredictable fluctuations throughout the year. Until 2022, Russia was the largest exporter of oil and natural gas to the European Union, and almost half of gas consumed in the EU came from Russia.

Health & Well-being

Consumers are increasingly proactive in their choices, and long-term wellness is becoming a top consumption driver. Supported by advancements in foodtech, a range of functionalities will be integrated into different food products. Consumer surveys show that despite ongoing challenges, people are unwilling to make big compromises when it comes to healthier options.

Experience & Enjoyment

Consumers crave amazement and seek comfort through pleasures, and while they have reduced their spend on, for example, travel and postponed larger investments, smaller luxuries such as chocolate and health and well-being products are likely to remain important. Experiences will gain greater value than material possessions, with food playing a key role.

Convenience

Consumers have grown accustomed to ever-increasing convenience in the form of new service and product formats. In food, convenience takes on an even broader meaning, including service elements, packaging improvements, and product design.

OUR GROWTH STRATEGY

The new market realities challenge our agility in meeting consumers' shifting needs. Nevertheless, our strategy serves as our guide as we navigate the unsettled environment.

At Fazer, we see food as a solution. We are confident that we can achieve growth and deliver long-term value to our stakeholders while acting to mitigate climate change and producing food within the boundaries of our planet.

The time to act is now. We believe that the choices we make in this decade will have a lasting impact on our collective future.

In line with our mission, we endeavour to create Food with a purpose. This means understanding and anticipating consumers' evolving needs by offering them delicious and inspiring products that support their health and well-being while simultaneously doing good for the planet.

Our vision, Towards Perfect Days, motivates our efforts as we work in dialogue with consumers and customers, offering them excellent products that bring joy and convey meaning, and taking their days closer to perfection with every experience and taste.



OUR SIX KEY STRATEGIC PRIORITIES

We are building an even stronger position as the number one fast-moving consumer goods brand in Finland.

We aim to win market share in our core categories, developing our portfolio by driving innovation and anticipating consumer needs. We strive to remain a strategic partner to our key customers.

We are accelerating growth through innovations, on-trend categories, and foodtech.

One of our key targets is to become a leader in plant-based foods. As categories merge and develop, we aim to capture first-mover opportunities and drive growth through innovations that scale.

We are developing leading positions in Northern Europe.

Mergers and acquisitions are a vital tool for driving Fazer's growth as we work to win market share by meeting consumer needs across Northern European markets.

We are excelling in our ways of working to become the industry leader in profitability.

We strive for operational excellence across all our functions and drive synergies through more integrated ways of working. In addition, we are enhancing efficiency in our manufacturing footprint and optimising production.

We are developing food as a solution for a more sustainable planet and business.

We aim to lead the food transition through innovation and drive consumer engagement by developing sustainable products and packaging. We advance circular economy solutions and work systematically to minimise our environmental impact as we continue our efforts to safeguard the fairness and transparency of our supply chain.

We are evolving our culture and driving critical capabilities to enable continuous success.

We promote a safe and inclusive working environment where people can flourish. Through capability development initiatives across our businesses, we foster a culture that enables transformation.

OUR KEY STRATEGIC THEMES

The ongoing food transition and rising consumer trends underpin key themes in our strategy where Fazer can make a difference.

QUALITY

Expectations regarding trust and consistency amidst a changing environment.



INNOVATION

Expectations of continuous improvement and magic in products.



DIGITALISATION

Expectations of freedom and convenience.



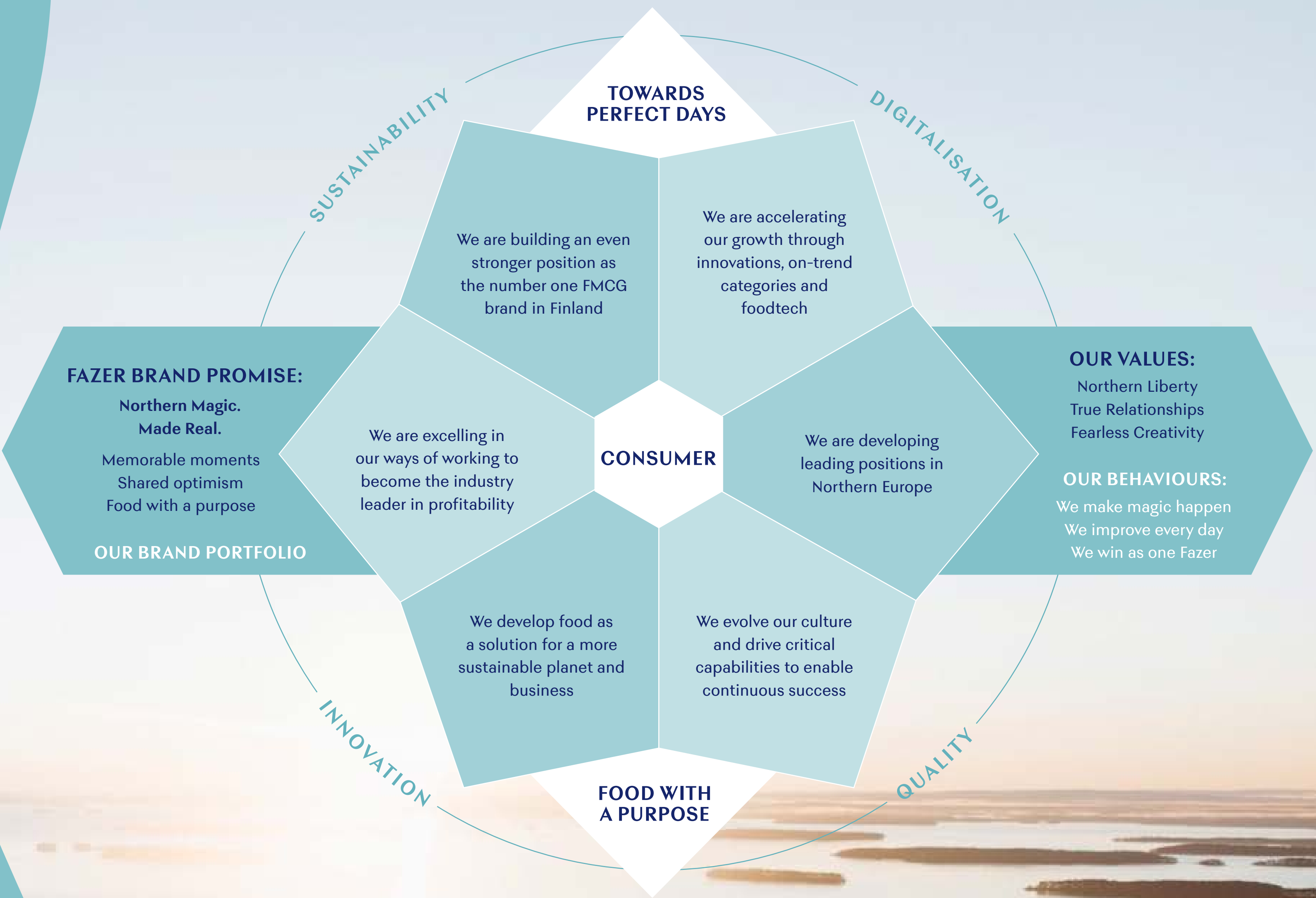
SUSTAINABILITY

Expectations to consume with peace of mind and a positive environmental impact.



OUR MISSION, VISION AND STRATEGY

The food experience company



OUR VALUE CHAIN

Fazer’s activities impact people, businesses, and societies. Raw material production, logistics, and sourcing are equally involved.



SOURCING

Carefully selected suppliers provide us with about 9,500 different ingredients. The most significant raw materials are wheat, oat, and rye, as well as sugar, cocoa, milk, fruits and berries. In 2022, we purchased raw materials from over 6,000 suppliers, most of whom were in the Nordics. Exceptions included certain ingredients such as cocoa, which have global supply chains.



PRODUCTION

Among the reasons for Fazer’s success is our long-term investment in domestic production and employment. We have invested significantly in our home markets, where we have built numerous production facilities over the years. Our offering is produced at 17 different sites in Finland, Sweden, Latvia, and Lithuania, and we take great pride in our safety culture, the quality of our products, and our competent and engaged employees.



CUSTOMERS

Our exceptionally deep customer relationships give Fazer a competitive edge. We are growing our market shares in our core categories and developing our portfolio in anticipation of consumers’ needs. We offer our wide range of food products in Finland, Sweden, Norway, Denmark, Lithuania, Estonia, Latvia, Poland, and export to more than 40 countries. In addition, our B2B sales through our Non-dairy, Cereals and Foodtech businesses is significant.



CONSUMERS

At the heart of Fazer’s strategy is the consumer. We aim to accelerate growth through in-depth consumer insight, combined with direct access to consumers using multiple channels. Our businesses are driven by a shared passion for creating food experiences and new products for sustainable lifestyles. We offer delicious and inspiring products that bring people nourishment, health, and well-being, while simultaneously doing good for the planet.



RESEARCH AND INNOVATION

We aim to become a leader in sustainable plant-based foods in Northern Europe and drive innovations at scale while creating, growing, and leveraging our Foodtech business to ensure that Fazer has a prominent role in tomorrow’s food markets. We fund far-reaching research programmes at respected universities and institutes and invest in our very own Fazer Lab. In addition, we have several own research projects.

SUSTAINABILITY AT THE CORE

Sustainability is at the core of Fazer's mission, Food with a purpose. It is an integral element of our Group's strategic priorities that plays a prominent role in our present and future.

We recognise that the way food is grown, produced, and consumed has a significant impact on people's well-being, the environment, and society. Our mission conveys our determination to give sustainability a decisive role in our growth strategy as well as in our product offering.

One of our key strategic themes, developing food as a solution for a more sustainable planet and business, points to the maturity of our sustainability efforts. It communicates our aim to create and offer sustainable products, while also taking our supply chain, people, production processes, and final outputs into account. At the same time, it emphasises our approach of balancing sustainability with business.

To facilitate the food industry’s transformation for the better, we focus on developing our products while continuously investing in shaping the market. We are confident that by carefully harmonising our offering with consumers’ needs and taste preferences, we can reinforce our position as a market leader while also serving as a forerunner in sustainability.

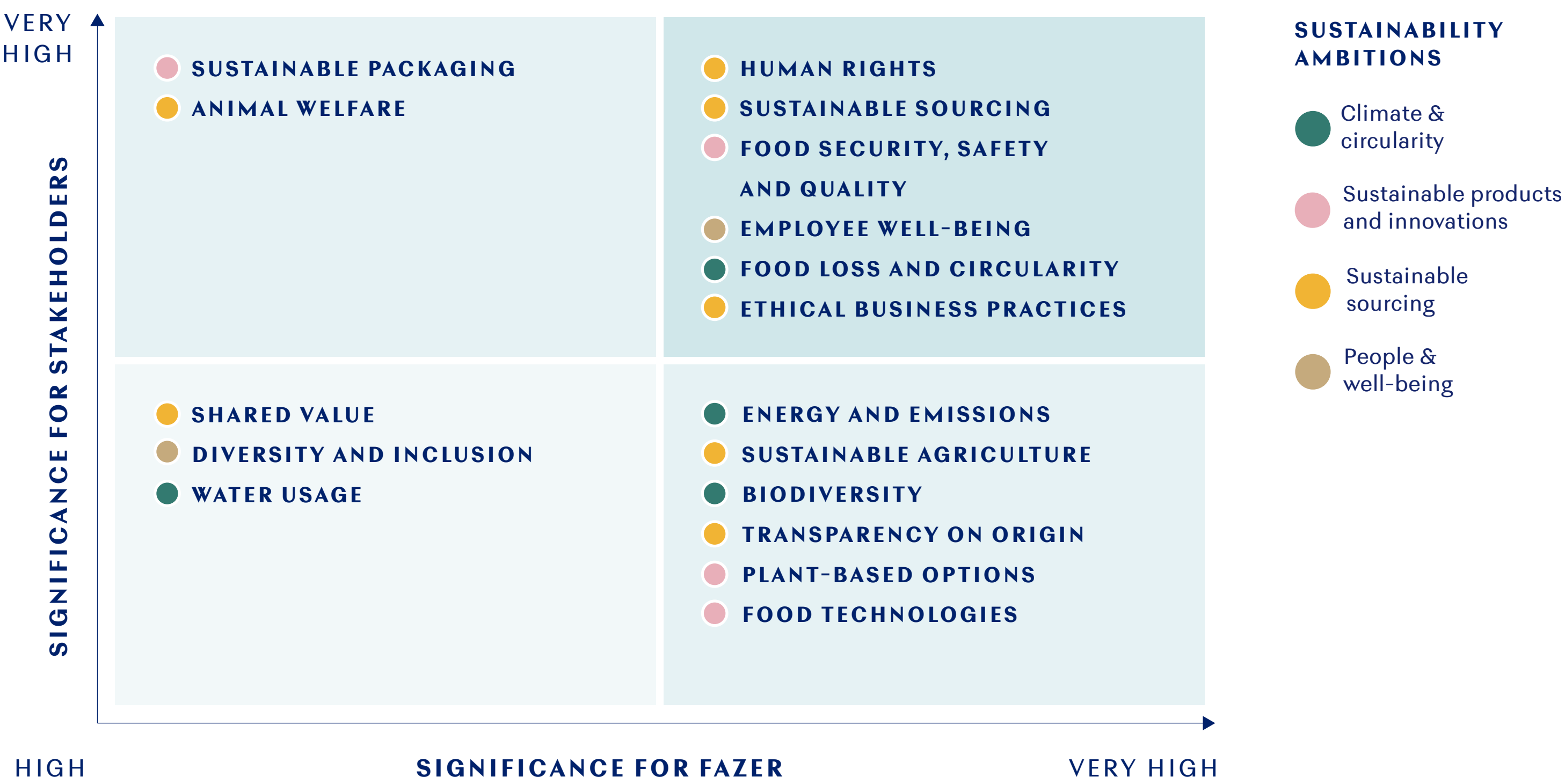
The year 2022 was characterised by unforeseen and unprecedented shifts in the global economy. The reopening of societies post-COVID, record-level inflation, and Russia’s invasion of Ukraine all influenced the role of sustainability within our organisation, not to mention from our customers’ and consumers’ perspectives. Nevertheless, in the face of these dramatic shifts, the science on the climate crisis as well as unjust social inequalities continue to shape our present reality.

Despite the demanding operating environment, we remain committed to sustainability of our operations, holding firm to our strategic priorities and sustainability ambitions. We are determined to carry on developing concrete long-term goals that guide us in integrating continuous sustainability actions throughout our organisation.

Our divestment of the Russian operations in March made it necessary for us to revisit our Science Based Targets and greenhouse gas (GHG) reduction strategy. Moreover, volatility in global supply chains led us to make operational adjustments in terms of our raw materials as well as our energy sources. Despite the challenging operating environment, we continued our emissions reduction initiatives. Our total emission remained on the same level as the previous year but we managed to decrease the emission from our operations (scope 1 and 2) by 8% compared to previous year.

The recent update to our sustainability ambitions highlights the importance of our employees’ safety and well-being. At the same time, it underlines climate, waste, and circular solutions as core considerations in

MATERIALITY MATRIX



FAZER'S PRIORITY SDGS



our daily operations. The update also stresses our raw material sourcing strategies as fundamental to our efforts to offer food as a solution, while strengthening our emphasis on sustainable products and innovations. Having defined our ambitions more clearly, we can now concentrate our attention on creating value according to our mission.

Highlights of Fazer’s sustainability development in 2022

Throughout 2022, we placed particular emphasis on building general awareness about our updated sustainability ambitions among our employees, and at the same time, highlighting responsibility and expectations towards our internal leaders to develop sustainability plans.

We continued to advance the process through which we improve our sustainable product portfolio by investing in R&D, developing new products, testing, introducing them to the market and finally promoting to gain consumer attention and preference.

During the year, we continued to set goals with regard to the sustainability of our operations and guided all Fazer employees on how they can contribute to these efforts. Our newly launched vision for sustainable packaging is a prime example of this approach. It communicates our mission to design packaging for the circular economy, reduce packaging materials, and minimise food waste while aligning our efforts with clear commitments, guidelines, and targets.

In 2022, we also set diversity and inclusion targets, put a D&I roadmap in place and launched a holistic employee well-being framework that illustrates the varied aspects that contribute to purpose at work on the individual level.

OUR SUSTAINABILITY AMBITIONS

Fazer’s Sustainability Ambitions encapsulate our common sustainability agenda and steer our actions and priorities throughout the Group. They address relevant global trends that are the most closely related to our industry while taking the views and expectations of our stakeholders into account.

In addition to incorporating societal megatrends, our ambitions are supported by thorough materiality and risk assessments of our operations.

We believe that by applying our sustainability efforts to achieve these ambitions, we can best create value according to our mission, Food with a purpose.

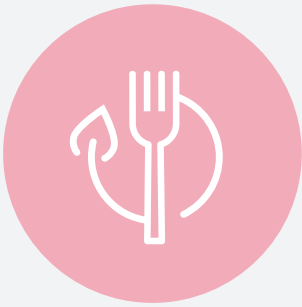
Our Sustainability Ambitions also consider our efforts to support the UN Sustainable Development Goals (SDGs), and through our services, operations, and supply chain, contribute to achieving them by 2030.

In order to focus our actions and maximise our positive impact, we have mapped our contribution and determined our priorities for achieving the 2030 goals across our value chain.



CLIMATE & CIRCULARITY

We mitigate climate change and optimise our use of resources through circularity.



SUSTAINABLE PRODUCTS & INNOVATIONS

We innovate for a more sustainable food system.




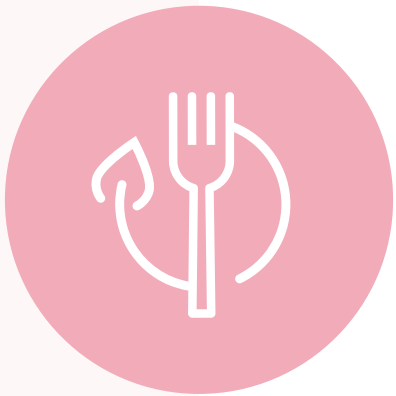


SUSTAINABLE SOURCING

Our supply chain is fair and sustainable.



PEOPLE & WELL-BEING

We provide opportunities for growth in a modern, safe and inclusive culture.

SUSTAINABILITY KEY FOCUS AREAS	AMBITIONS	SUSTAINABILITY TARGETS	PERFORMANCE IN 2022 (previous year if available)
<div>CLIMATE & CIRCULARITY</div> <div></div>	WE MITIGATE CLIMATE CHANGE AND OPTIMISE THE USE OF RESOURCES THROUGH CIRCULARITY	42% less GHG emissions (scope 1, 2) by 2030, compared to 2020 baseline	-11% (-8%)
		50% less avoidable food loss by 2030, compared to 2020 baseline	-8% (-6%)
<div>SUSTAINABLE PRODUCTS & INNOVATIONS</div> <div></div>	WE INNOVATE FOR A MORE SUSTAINABLE FOOD SYSTEM	More plant-based (vegan) in offering	48% (47%)
		More plant-based (vegan) in novelties	48% (43%)
		Active ongoing Foodtech projects*	53
		All packaging will be sortable for recycling by 2025	99.8%
		Reduced usage of plastic and metal by 2025 (2018 baseline)	300 000 kg/ y plastics 18 000 kg / y metal
<div>SUSTAINABLE SOURCING</div> <div></div>	OUR SUPPLY CHAIN IS FAIR AND SUSTAINABLE	100% traceable cocoa by 2027	37% (30%)
		100% signed Supplier Code of Conduct latest by 2030	86% (74%)
		42% less GHG emissions (scope 3) by 2030 (2020 baseline)	5% (0%)
		Engage 53% of our suppliers by spend to set their own SBTi targets by 2025	35%
<div>PEOPLE & WELL-BEING</div> <div></div>	WE PROVIDE OPPORTUNITIES FOR GROWTH IN A MODERN, SAFE AND INCLUSIVE CULTURE	Long-term target: Zero Lost time Accidents (LTAF)	4.1 (5.8)
		Year-on-year improvement of employee well-being measured in the employee engagement survey	66.6 (64.0)
		Year-on-year improvement in Employee Inclusion experience in the employee engagement survey	81.9 (80.6)

*Foodtech projects are R&D projects in addition to new product development programme that contribute to sustainability ambitions.

Furthermore, we updated our food loss targets and our vision for more sustainable cocoa, creating the Fazer Cocoa Standard, which sets concrete requirements for sustainably managed cocoa. We also carried out an external verification of our cocoa supply chain.

Additionally, we began refreshing our Sustainable Grain Farming Principles with the objective of defining our targets, roadmap, and path forward more clearly with regard to grain sourcing, farmer collaboration, and measuring our impacts.

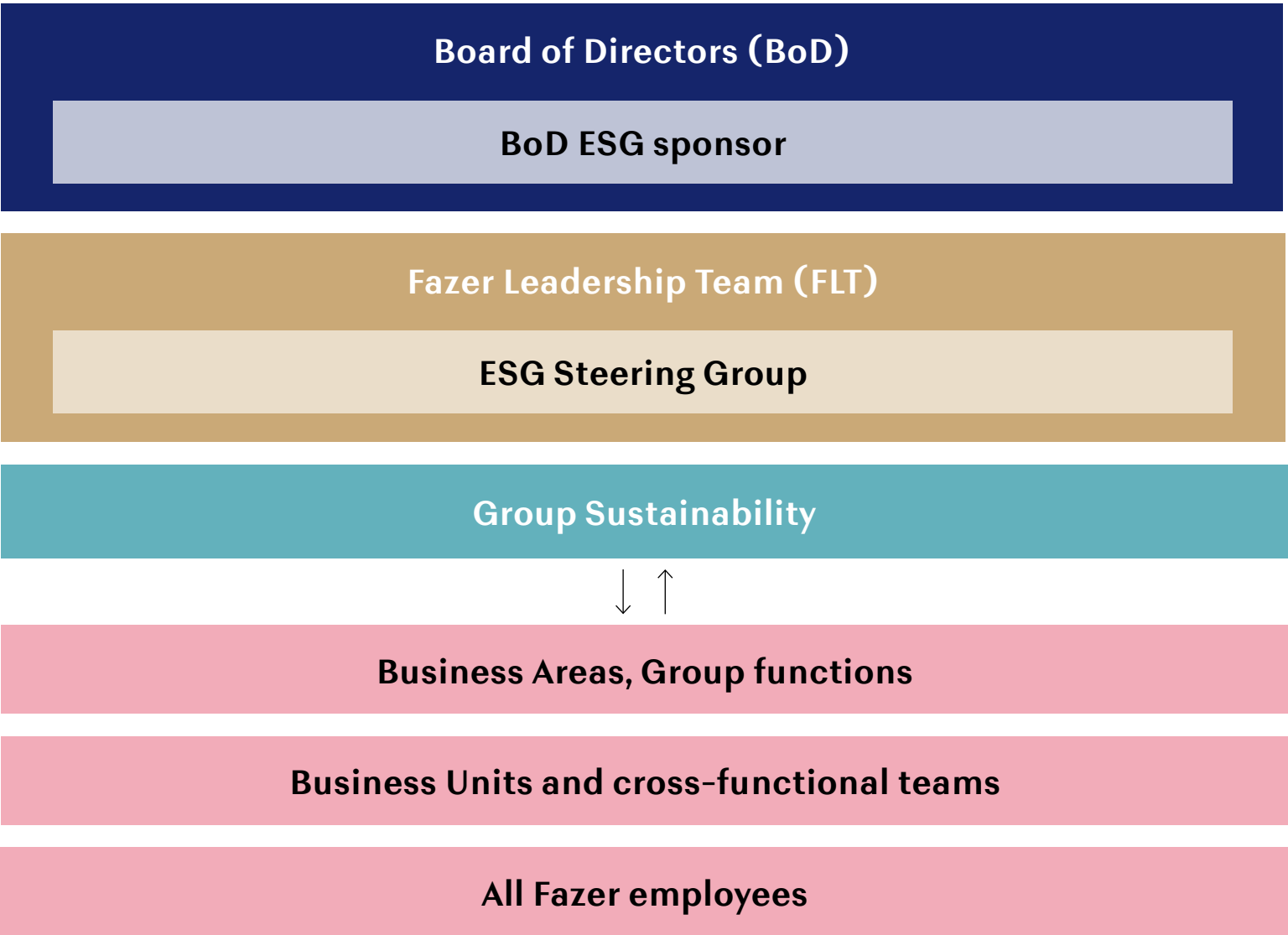
From the perspective of our people and organisation, we updated our sustainability governance structure and strengthened our efforts to build internal awareness among employees, underlining the message that sustainability belongs to everyone. We also improved capabilities to take action, with initiatives such as education through various e-learnings and Fazer sustainability week, which is now in its second year.

Fine-tuning our material topics

We conducted an in-depth materiality assessment during 2021 by gathering the views of hundreds our stakeholders, including our customers, partners, and our own employees. In 2022, in response to the extraordinary external landscape and changes in the scale of our business, our sustainability experts re-evaluated the topics highlighted in the previous assessment. While the main topics remained the same, minor amendments were made to widen and clarify the topics’ scope, specifically regarding sustainable packaging, food security, employee safety, food loss and circularity, and energy.

The adjustments were based on the viewpoints of our ambition areas’ experts and findings they had gained through stakeholder engagement. Internal team discussions were taken into account, and our ESG steering group verified the adjustments.

SUSTAINABILITY GOVERNANCE



Managing sustainability at Fazer

Sustainability is integrated into the agenda of Fazer’s Board of Directors (BoD), and the highest authority in sustainability matters lies with the BoD and the Fazer Group Leadership Team (FLT).

We ensure that our BoD maintains and advances its collective knowledge on sustainability through regular updates, not only on subjects that are topical to the company but also on upcoming regulatory changes and other trends. Additionally, our BoD’s Environment, Social and Governance (ESG) Sponsor links our ESG steering team and BoD governance. The ESG

Sponsor is therefore accountable for ensuring that sustainability efforts are governed effectively and deliver on their aims and objectives.

Our ESG Steering Group, a team comprised of top management, which was assembled in 2021, conducts preliminary assessments before the FLT makes strategic decisions relating to sustainability. It also directs Fazer Group’s sustainability team and our sustainability and QEHS experts.

The sustainability team are responsible and holds accountability for the key tasks of spearheading sustainability efforts by defining Fazer's approach and goals as well as leading follow-up and support actions.

Our Sustainability Ambitions and focus areas guide the level of our aspirations and efforts as a group, while our Sustainability Policy sets out our commitment to operate in a responsible manner and manage sustainability strategically and as part of our daily work. Both of these are supported by key documents which direct our efforts, namely, Fazer Group’s Human Rights Policy; Quality, Environmental, Health and Safety (QEHS) Policy; and Supplier Code of Conduct, which were updated in 2021, as well as by our governance practices and procedures.

All of the above-mentioned forums have clearly defined roles and specific responsibilities. Furthermore, the group’s sustainability team and our sustainability and QEHS experts in our businesses and other relevant business or project teams continuously manage and implement sustainability work. It is in turn our business areas’ task to implement follow-up actions and monitor their outcome through their designated business units’ and cross-functional teams.

Sustainability topics are examined in cross-functional teams and in functions such as reporting, risk management, Health and Safety updates,

Human Resources (HR) and discussions about remuneration, among other matters.

The following are Fazer Group's key policies and principles

- Fazer Code of Conduct
- Human Rights Policy
- QEHS Policy
- Marketing Policy
- Supplier Code of Conduct
- Sustainability Policy

Systematic sustainability management

Quality, food safety, environment, and occupational safety management systems are important means for driving sustainability at Fazer on the site level. Through site-specific management systems, we aim for systematic and unified ways of working, developing competences, strengthening risk management, and ensuring regulatory compliance. The certification status of all Fazer's operational sites can be found on **page 64**.

Fazer works to ensure the first-rate safety and quality of its products, and all our production sites have food safety management certifications (FSSC 22000, IFS) approved by the Global Food Safety Initiative (GFSI). In addition, we maintain high quality standards and have various controls in place to protect food safety and consistent quality. In 2022, there were two product recalls regarding food safety. The product recalls were made due to safety precautions related to defects in microbiological quality. In the area of environmental management, the majority of our sites are ISO 14001 -certified and use systematic processes to identify, monitor, and minimise their environmental impacts. In terms of health and safety, the Occupational Health and Safety (OHS) management systems of Fazer sites are based on local legislative requirements at the minimum. Most of our sites also hold ISO 45001 certificates.

Highlights of stakeholder engagement in 2022

To celebrate the 2022 harvest season and sustainable grain farming, Fazer organised an event promoting bread and other cereal-based products made in Finland from domestic grain.

The event aimed to raise awareness of the importance of Finnish agriculture and domestic farming as well as to promote Fazer's role as a responsible partner to the sector. Among the guests were journalists, social media influencers, and other key stakeholders. The programme featured a roundtable discussion that included farmers, representatives of the Baltic Sea Action Group and Fazer Mills, and a renowned chef and food influencer in the conversation.

Fazer participates proactively in initiatives such as the UN Global Compact. We support the work of organisations like SOS Children's village and the World Wildlife Fund (WWF). In Sweden, we are part of Hållbar Livsmedelskedja (Sustainable Supply Chain for Food), Livsmedelsföretagen's (LI, The Swedish Food Federation) sustainability development work, and DLF, a trade association whose purpose is to promote an efficient, innovative, and sustainable FMCG industry in Sweden.

Memberships and commitments

Fazer is an active member in several associations which drive sustainable practices in the food industry and in our operating countries. Additionally, we support and work with organisations that provide aid or work for relevant causes in our communities.



CASE: FAZER WORKS PROACTIVELY TO PREVENT HUMAN RIGHTS VIOLATIONS

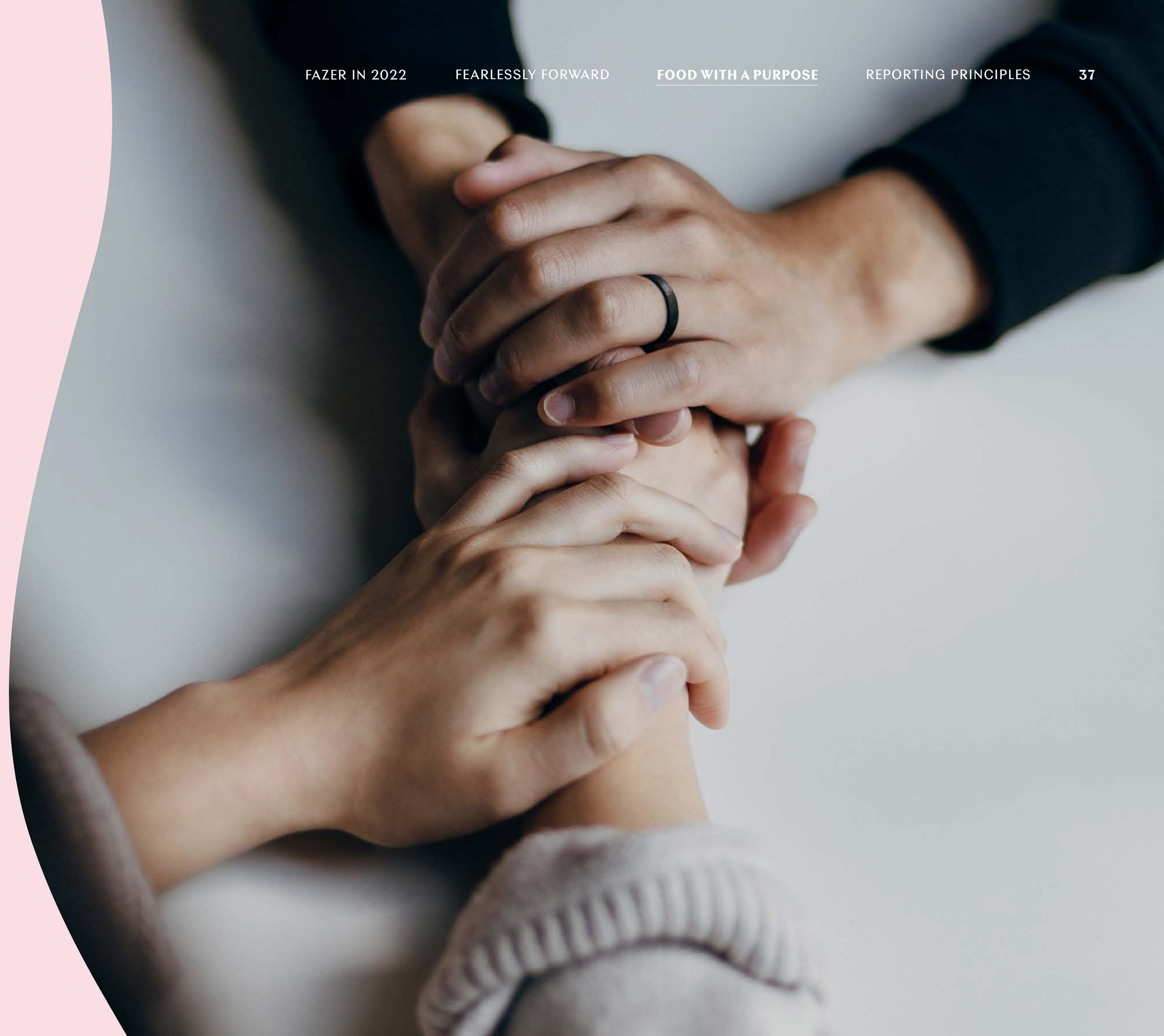
We believe that advancing individuals' human rights and freedoms creates a more sustainable future for all.

Human rights are among the most relevant aspects on Fazer's sustainability agenda. In 2022, we therefore launched a risk assessment to understand how we can better comprehend and address adverse human rights impacts that might arise from our operations and value chain. We then put a Human Rights Management System in place to regularly evaluate our actual or potential sustainability impacts on the human rights topic.

Our Human Rights Management System enables us to assess each of the functions in our value chain, helping us take responsibility for managing adverse human rights impacts linked to our own operations or through our business relationships, for example, in risk countries and concerning raw materials like cocoa, palm oil, coconut, liquorice, among others.

Our deepened Human Rights Impact Assessment confirmed that global raw material supply chains – including Fazer's – include high risks of child labour, modern slavery, occupational safety and health, and living wages. In addition to supporting us in identifying potential impacts, the results will allow us to act on the findings, expand our current supply chain programmes and intensify the work to proactively prevent human rights violations, and make just amends for offenses. Furthermore, we will be better able to track our performance in preventing and mitigating effects, as well as clearly communicate our efforts.

As a member of the UN Global Compact, we follow the UN Guiding Principles on Business and Human Rights. Our own work with human rights is guided by our Code of Conduct, Supplier Code of Conduct, Human Rights Policy, and Sustainability Policy.



STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS	KEY CHANNELS OF DIALOGUE	HOW WE RESPOND TO STAKEHOLDER EXPECTATIONS
Consumers	We have a strong presence in the Nordic market and engage with consumers in our cafés, shop-in-shop bakeries and bakery shops, as well as through consumer service and online channels, surveys, websites and social media, and packaging.	We understand consumers' needs for health, sustainability and convenience when it comes to their food experience. It is vital for us to engage with consumers to understand what they value, and to be able to turn these insights into new products and services. Consumers trust and have high expectations towards the Fazer brand and the quality and safety of our products and services. We provide reliable information on our products and services and Fazer as a company.
Customers	We maintain close relationships to our customers through meetings and other cooperation events, questionnaires, newsletters, and customer feedback surveys.	Our customers are particularly interested in how we ensure food safety and quality, the sustainability of our raw materials and our actions in emission reduction. We pay close attention to providing transparent information about the origins and other sustainability-related information of our products. We bring value through both services and products that are of high quality, sustainable and right for the customer.
Employees	In addition to company wide processes such as the Individual Performance Management Process, employee engagement surveys and Fazer's whistleblowing service, we ensure active dialogue through day-to-day communication between managers and employees, personnel events, intranet and other internal channels, and discussions with the local HR.	Ensuring the well-being, health and safety of all our employees is our priority. We have established workplace safety practices at all our production sites, emphasise competence development and work for a more diverse and inclusive working environment.
Shareholders and financial institutions	Annual general meeting and Annual Review, regular reports and information meetings, other regular events such as the summer meeting, shareholders' website	We provide accurate and reliable information on our performance, governance, business development and sustainability in channels which best suit the shareholders.
Suppliers and service providers	Supplier relationship management process, meetings, agreements, supplier requirements, audit questionnaires, audits, monitoring meetings and visits	Working together with our suppliers to ensure food safety and quality, ethical business practices as well as minimising the environmental impact of raw material production is the foundation of our approach with suppliers. We have close supplier relationships and we cooperate with our suppliers for example in the area of sustainability. We equally want to safeguard human rights and fair working conditions throughout our supply chain.
Society (authorities and governments, media, NGOs and local communities)	Meetings, partnerships and collaboration, questionnaires, events	We create value to society and engage in active dialogue. We are members in and have partnerships with various organisations and support numerous non-profit organisations. We believe in open and transparent communication.
Universities and research institutes, start-ups	We are an active participant in research consortiums and ecosystems that bring together actors in the food industry and beyond.	We want to continuously develop our offering for a more sustainable food system and strengthen our expertise in foodtech. Through partnerships and by combining our own research with university and start-up collaboration, we expand our own expertise and improve our capabilities to introduce sustainable innovations with social significance.

MEMBERSHIPS AND INITIATIVES

Fazer is an active member in several associations that drive sustainable practices in the food industry and Fazer's operating countries. We additionally support and work with organisations that provide aid or work for an important cause in our communities.

Food industry and trade associations

- Finnish Food and Drink Industries' Federation (ETL) with Fazer as a board member and Fazer experts in its working groups
- Food industry associations in Sweden, such as DLF, a grocery retail and foodservice trade association with Fazer as Board member and the Swedish Food Federation
- Other relevant food industry associations in our operating countries, such as the Finnish Bread Information (Leipätiedotus ry)
- Confederation of Finnish Industries (EK) with Fazer experts in its working groups
- Local Chambers of Commerce in Estonia, Lithuania and Latvia, with Fazer as a member company

Research consortiums and projects

- Healthgrain Forum, a network of universities, institutes and industries focused on research and communications on grain and grain-based products, with Fazer as a founding member
- Global Plant Based Food Ecosystem, an ecosystem aiming to accelerate the transition towards a more plant-based diet, with Fazer as a member
- Nordic Rye Forum, a collaboration platform for innovation and research in rye, with Fazer as an industry member company
- Research collaboration with universities and other educational institutions, such as the University of Helsinki and the Swedish University of Agricultural Sciences
- Several projects as part of our foodtech research network together with other stakeholders in the industry, such as Well on Wheat, an international research project on the health aspects of wheat, and Food without fields coordinated by the Natural Resources Institute Finland (LUKE) and the Technical Research Centre of Finland (VTT)

Sustainability initiatives

- The United Nations Global Compact, with Fazer as a member since 2012
- The Science Based Targets initiative for substantial emissions reductions in Fazer's operations and value chain by 2030
- Member in key sustainability associations on the sustainability of raw materials: Roundtable on Sustainable Palm Oil, Round Table on Responsible Soy Association and World Cocoa Foundation
- Several sustainability initiatives in Sweden, such as the DLF Plastic and Transport initiatives 2025, Fossil-free Sweden and Sustainable Food Chain (Hållbar Livsmedelskedja)
- Other topic-specific sustainability initiatives, such as the Water Stewardship commitment and the Baltic Sea Action Group
- Business networks for sustainability, such as the Climate Leadership Coalition and FIBS (Finnish Business & Society)

Support and collaboration

- Non-profit organisations, such as WWF Finland, SOS Children's Villages, NPO Estonian Association of Large Families and the Lithuanian and Latvian Red Cross organisations
- Cooperation with schools and educational institutions, such as the Tallinn School of Service, Tartu Vocational College and the Kaunas University of Technology
- Sports events and associations, such as the Stafettkarnevalen event in Helsinki, Finland
- Partnership with Hanken School of Economics, Finland



CLIMATE AND CIRCULARITY

We see food as a solution. We believe that by increasing our plant-based product range, promoting regenerative farming, managing our resources and applying technological and circular solutions, Fazer, along with our partners, can mitigate climate change and produce food within the boundaries of our planet.

At Fazer, we strive to make a difference by working systematically to reduce the impacts of food production on the environment. The global food system and its emissions play a considerable role in accelerating climate change, and this in turn influences the availability, accessibility, and cost of our products' raw materials. By doing our best to mitigate the climate crisis, we also work to protect the longevity of our business.

In 2021, we had stepped up progress towards our own climate ambitions by committing to the Science Based Targets initiative (SBTi). The SBTi's approval of our climate targets confirmed that our actions to reduce our emissions support the Paris Climate Agreement's goal to limit the global temperature increase below 1.5°C above pre-industrial levels.

To reach the science-based targets, we committed to reduce our absolute scope 1 and 2 greenhouse gas (GHG) emissions by 42% from a 2020 base year by 2030, reduce absolute scope 3 GHG emissions by 42% from a 2020 base year by 2030, and by 2025, engage 53% of our suppliers by spend to set their own Science Based Targets, with the aforementioned suppliers including those for purchased goods and services, upstream transportation, and distribution.

As part of our work towards our climate targets, we also strive to decrease food loss in the manufacture of our products. Additionally, our innovation activities help us ensure that our future assortment will be less carbon intensive.

Moreover, we rigorously monitor the climate-related risks of our own operations, particularly in our supply chain. Learn about Fazer's climate-related risks and opportunities in the Non-Financial Information in the Board of Directors report.

Sustainability-linked revolving credit facility is a milestone for Fazer

In February 2022, we marked a milestone in our sustainability efforts by recommitting to meeting two of our sustainability targets in connection with our signing of a 200 MEUR revolving credit agreement (RCF).

As part of the RCF, we bolstered our commitment to fulfilling two of our sustainability targets: the reduction of greenhouse gas emissions (CO₂e) and avoidable production food loss. The margin payable on the RCF will increase or decrease depending on our performance and achievement of these sustainability indicators.

DECREASING OUR EMISSIONS AND MITIGATING CLIMATE CHANGE

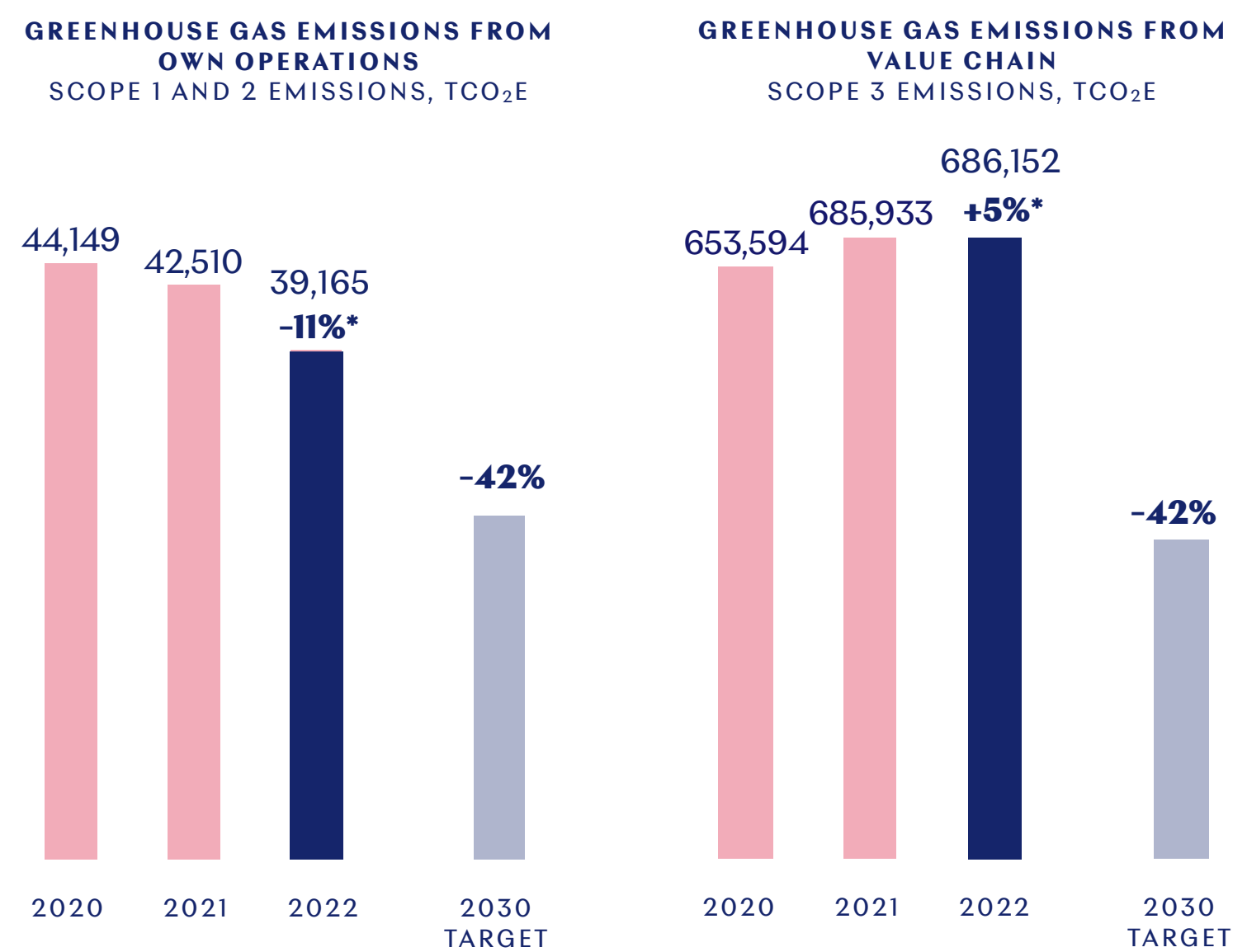
As an organisation, we use several means to alleviate the impact of our operations on the climate. As 95% (95%) of our total emissions come from our supply chain, it is crucial that we further strengthen the work we do with our suppliers.



We aim to act sustainably and reduce the negative environmental impacts of our operations throughout our supply chain. Our Supplier Code of Conduct sets requirements for our suppliers with regard to environmental management practices. We are also reviewing two detailed programmes for our key raw materials – grain and cocoa – to help us manage the environmental impact of their primary production activities.

We have set a supplier engagement target that will, when achieved, increase the coverage of supplier spend that have science-based targets to 53%. As of the end of 2022, 35% of our suppliers by spend had set a science-based target.

In 2022, we furthermore launched projects to reduce emissions in other relevant purchasing categories such as transport and distribution and introduced our sustainable transportation project towards the end of the year.



*CHANGE % COMPARED TO 2020 BASELINE

Our robust foodtech agenda supports us in developing new solutions for producing plant-based proteins and valorising our production side streams. In addition, through our sustainable packaging vision, launched in 2022, we have set the target of using packaging materials that are 100% sortable for recycling by 2025.

Managing our emissions

In 2022, the total emissions of the Group were 725,316 tCO₂e, which means they remained the same as in the previous year (728,443 tCO₂e).

Russia’s invasion of Ukraine triggered an energy crisis of unprecedented magnitude, causing problems especially in the natural gas and electricity markets. The energy markets were extremely volatile, with unpredictable fluctuations throughout the year. To mitigate the risk of possible disruptions, we were forced to invest in oil-fuelled backup equipment as well as make backup plans in case of severe electricity supply disruptions. Still, the emissions from our operations (scope 1 and 2) decreased by 8% compared to the previous year and by 11% compared to the starting level, the year 2020. Our target is 42%, which is in line with the SBTi.

We are committed to our emission reduction targets and plan to switch to non-fossil fuels such as biogas instead of natural gas and increase the electrification of our production plants. However, our value chain-related scope 3 emissions increased by 5% compared to the starting level.

Over the past year, we adopted an emission calculation module for our current sourcing tool that provides more precise emission factors on our raw materials and allows us to update factors based on suppliers’ scientific data as well as our own. The new tool enables us to calculate our scope 3 emissions from

CASE: FAZER DONATES SURPLUS BREAD TO CHARITIES

Despite meticulous efforts and planning, some overproduction of bread can take place at Fazer’s bakeries. By donating surplus bread to charities, we make certain that food makes its way to its intended purpose – nourishing people.

In Sweden, we donate excess bread to the Matmissionen social supermarkets operated by the Stockholm City Mission. Matmissionen social supermarkets operate through donations from food producers’ excess production. Based on the donations, Matmissionen also distributes provisions to more than 20 shelters for the homeless.

Consumers can shop at the social supermarkets if they have an income of 1,200 EUR per month or less. Since bread is a staple food for many in the Nordics, Fazer’s donations can have a significant impact in helping the eligible consumers.

In Finland, Fazer donates products to food aid through, for example, Helsinki Missio, Stadin safka and Hurstin Apu in Helsinki; the waste food terminal in Vantaa; Ruokapankki in Tampere; and Operaatio Ruokakassi in Turku.

In the Baltics, we donate bread regularly to municipal and charity organisations such as the Large Family Foundation of Harjumaa in Estonia, the Ogre municipality’s social and charity entities in Latvia, and to the Red Cross in Lithuania, among others.

In 2022, Fazer also focused on supporting food donation operations that seek to benefit refugees fleeing Ukraine.

purchased goods and services more accurately. As a result of our divestment of our Russian operations, our acquisition of Trensums Food, and adaptation of the emission calculation module, we recalculated our emissions baseline. Nevertheless, our goal of a 42% reduction by 2030 remains intact. The detailed emission calculations are reported on **page 43**.

Supporting education on carbon farming

We continue to develop our targets and engage partners to find new ways to reduce our emissions.

For instance, in connection with Fazer’s Baltic Sea Commitment for 2018–2022, we supported the training of Finnish farmers to increase regenerative carbon sequestration by contributing to a free 60-hour online course on the topic of regenerative carbon farming.

The free, research-based online course reached almost half of Fazer’s contract farmers in Finland. It was developed in cooperation with the Baltic Sea Action Group (BSAG), its stakeholder network, and the software company MinnaLearn, formerly Reaktor Education. Thanks partly to our financing of BSAG’s Carbon Action platform, an e-college will be created by Svensk Kolinlagring. This collaboration seeks to increase carbon sequestration in Swedish agricultural soil.

The aim to make farming more sustainable by promoting the transformation of Finnish and Swedish farmlands from carbon sources to carbon sinks is part of Fazer’s Grain vision.

Implementation of the updated Group Energy Framework began in 2022

All the electricity we purchase at Fazer comes from 100% fossil-free sources, and GHG emission reductions are a critical aspect of our recently

updated Group Energy Framework, which guides the planning and financing of our investments in production and energy infrastructure.

We began implementing the framework in the second quarter of 2022, initiating improvements such as increasing our use of heat recovery with the help of condensate systems. By optimising ventilation systems, we also reduced our demand for energy, most notably at our Vantaa bakery.

In Vantaa, we took electricity consumption peaks into account and lowered the temperature in common and working areas by at least one degree. On the other hand, we were unable to invest in bio-heating facilities during the year. The planned switch from natural gas to biogas suffered setbacks due to the energy crisis.

Regarding our application of renewable energy, at our Lahti site, a bio-powered heating facility utilises side streams from our xylitol factory which in 2022 produced 50% of the steam used in the factory area, including our bakeries and mill.

Further initiatives to improve our energy efficiency and reduce our emissions include developing existing production facilities and processes, investing in energy-efficient solutions, and reducing the amount of waste generated in production. We are also improving ventilation and air conditioning by investing in automation systems and in heat recovery processes at factories, as well as replacing old appliances with more energy-efficient alternatives.

We will continue to actively monitor the latest scientific and technological advancements in fossil-free and low-carbon solutions and seek new ways to reduce our emissions in collaboration with our business partners, customers, and suppliers.

RAW MATERIALS AND WATER WITHDRAWAL			
	2022	2021	2020
Used raw materials (tonne)	540,447	531,465	524,891
Raw materials intensity (tonnes/produced tonne)	1.10	0.96	0.99
Water withdrawal (m³)	1,127,662	1,159,046	1,202,390
Water withdrawal intensity (m³/produced tonne)	2.30	2.09	2.17
Water consumption (m³)	265,969	272,136	341,580
Water discharge (m³)	837,274	875,913	881,131

FOOD LOSS AND WASTE FRACTIONS TONNES			
	2022	2021	2020
Used directly as animal feed	6,100	6,577	6,269
Side streams to energy production	44,305	52,505	31,932
Side streams directed to animal feed production	50,845	37,116	36,405
Other use, e.g. composted biowaste	1,972	2,325	2,133
Landfill*	317	366	565
Total side streams in production	103,222	98,523	76,739
Recycled waste	4,547	5,908	5,954
Incinerated waste with energy recovery	2,034	2,561	14,999
Total non-hazardous waste	6,898	8,835	21,518
Incinerated, with energy recovery	88	66	21
Incinerated, without energy recovery	7	29	28
Hazardous waste to landfill and other use	14	9	5
Total hazardous waste	110	105	54
Total side streams & waste from Fazer's operations	110,229	107,463	98,311
Avoidable food loss/production volumes (kg/produced tonne) **	104	111	113
Food donations***	621	20	64

*Can include also other waste streams than food loss
**Excludes side streams from milling operations
*** Considered as a way to reduce food loss but not a part of food loss calculation

REDUCING FOOD LOSS AND WASTE

Reducing food loss is a high priority at Fazer. Since 2015, we have set and pursued long-term targets for cutting down on food loss and waste in our operations. Promoting material efficiency and circularity supports our efforts to decrease costs, boost profitability, and reduce our environmental impact. In 2022, we achieved a 6% reduction in avoidable food loss compared to previous year and an 8% decrease compared to 2020 baseline.

In 2021, we updated our sustainability approach with the ambition of optimising our use of resources through circularity. The targets needed to be revised further, following the changes that took place in the scale of our organisation in 2022.

As part of our sustainability roadmap, each of our businesses pursues its own waste prevention and material loss plans, with actions that are assigned to each of the businesses’ production units. Our waste accounting allows us to examine the different kinds of waste fractions we produce throughout our organisation and monitor where our waste goes.

Material Efficiency Commitment 2022–2026

To fulfil new requirements related to reducing food waste and optimising material efficiency, we joined the new Material Efficiency Commitment 2022–2026 for Finland’s food and retail industries, a pledge set up between government ministries and sectoral industry associations.

At the centre of our ongoing material efficiency work at Fazer are the following efforts: To take an inventory of production side streams to decrease food loss and waste; make an inventory of production waste fractions to ensure better utilisation of production side and waste streams; and define priorities contributing to business area roadmaps, including a new baseline, objectives, and metrics.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1)

CO ₂ E TONNE	2022	2021	2020
Fuels combusted for generation of electricity, heat or steam	16,583	19,878	20,482
Fuels combusted for transportation of materials, products, waste and leased vehicles	751	1,606	4,064
Fugitive emissions of cooling agents	1,147	1,483	776
Total scope 1 emissions	18,481	22,967	25,322
Biogenic emissions from fuel combustion	2,197	3,945	4,959

INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY (SCOPE 2)

CO ₂ E TONNE	2022	2021	2020
Electricity	891	0	0
Steam	14,660	14,461	13,946
District heating	5,131	5,081	4,880
Total scope 2 emissions (market-based)	20,683	19,542	18,826
Total scope 2 emissions (location-based)	46,817	44,351	31,965

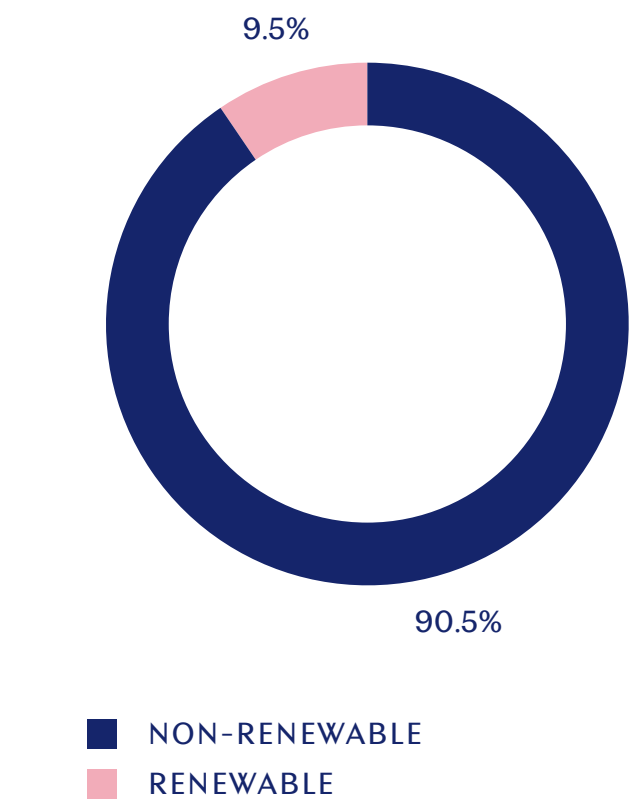
INDIRECT GREENHOUSE GAS EMISSIONS IN VALUE CHAIN (SCOPE 3)

CO ₂ E TONNE	2022	2021	2020
Purchased goods and services, e.g. food raw materials and packaging	608,299	605,198	567,270
Capital goods, e.g. investments in production facilities and machinery	22,835	20,615	25,175
Fuel- and energy-related activities (not reported in scope 1&2)	2,089	8,269	7,298
Upstream transportation and distribution	21,818	19,729	18,802
Waste generated in operations	572	397	1,587
Business travel	330	65	269
Employee commuting	7,718	7,008	6,971
Downstream transportation and distribution	17,957	20,463	21,992
End-of-life treatment of sold products	4,533	4,188	4,228
Total scope 3 emissions	686,152	685,933	653,594

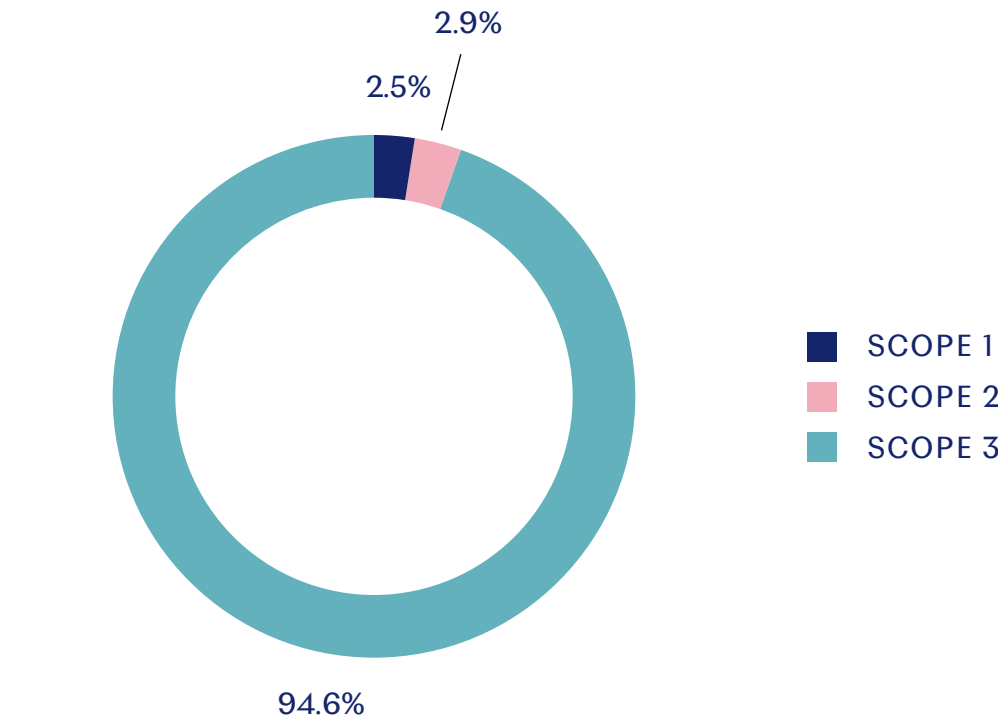
GREENHOUSE GAS EMISSION INTENSITY

CO ₂ E TONNE/PRODUCED TONNE	2022	2021	2020
Scope 1	0.04	0.04	0.05
Scope 2	0.04	0.04	0.04
Scope 3	1.39	1.24	1.23
Total emission intensity	1.47	1.31	1.31

MATERIALS THAT ARE USED TO PRODUCE AND PACKAGE OUR PRODUCTS



GREENHOUSE GAS EMISSIONS BY SCOPE, %



Okara and other waste valorisation efforts

At present, the biggest source of food waste by weight in our production comes from okara, the nutrient rich, high-quality side stream that arises from our oat drink manufacturing activities in Finland and Sweden. Fazer Lab has made progress in mapping the potential of valorising okara.

Our updated energy strategy also sees to it that estimates are made of the energy potential of each material side stream. After okara, the second biggest aggregated source of food waste in our production comes from products that do not pass our quality requirements. In general, these quality rejects are already actively used to produce other products.

For example, Fazer has used recovered chocolate from our chocolate factories in different products for more than a century. These include Da Capo, since 1916, and Pätkis, since 1978. More recently, the Makea Moka bag of sweets has helped us significantly reduce production waste at our Lappeenranta confectionery factory.

Fazer Bakery Finland reduces food waste by optimising bakery volumes based on data and the bakers’ knowledge of the customers. Recycling excess dough is another routine procedure at our bakeries.

Additionally, we donate excess production and products that do not meet our strict quality standards in terms of appearance to charities in all our operating countries. Products that are unfit for human consumption are used as animal feed, refined into biofuel, or recycled as biowaste.

All of Fazer’s businesses are actively pursuing circularity-related R&D projects, and the first of these will be seen in products in 2023.

Conserving resources

Between 2021 and 2022, we decreased material loss by 22% in hazardous and non-hazardous waste.

During the year, we diverted major waste fractions that were used for energy production in 2021 into animal feed production. At the same time, we increased significantly the volume of our donations from 20 to 621 tonnes. Both developments were steps in the right direction according to the food waste hierarchy. Overall, the waste fractions relegated to landfill and incineration without energy recovery have decreased.

Managing our water consumption

In our own operations, we use water as an ingredient as well as for various cleaning processes. Our own water use and the risks associated with it are governed through our environmental permits, QEHS processes, and ISO14001 Environmental Management System.

Water is needed in several areas of our supply chain, but primarily in growing crops to produce our ingredients. We use our Supplier Code of Conduct as an auditing tool to assess risks and minimise water-related environmental impacts in our value chain. Furthermore, we react promptly to any identified water-related risks acknowledged by our suppliers or customers.

We are committed to municipal water treatment regulations at our operating locations. In most instances, water is drawn from the municipal supply and water discharge from production goes to municipal sewage and is handled there.

We have updated the production waste water guidelines at our Vantaa confectionery factory and bakery in cooperation with Helsinki Region Environmental Services (HSY). We generally separate fat from waste water before it is sent to the municipal sewage system. In addition, we perform pH adjustments in our Lahti facility and pre-treatment with flotation in Koria.

**CASE: MATERIAL EFFICIENCY
AUDIT AT FAZER BAKERY FINLAND**

Fazer’s material efficiency work reached a milestone when we conducted a pilot project at two production lines at our Vantaa bakery. During the year, the Quality, Environmental, Health and Safety (QEHS) team, together with production managers and experts at the Vantaa bakery, made significant progress in tracking the potential of multiple actions in production that are focused on reducing food loss.

The material efficiency audit is a practical tool for streamlining operations and managing material flows at Fazer’s bakeries in Finland. The most evident benefit of increased material efficiency is the reduced spend on food raw material, with the savings potential found through audits typically amounting to at least 3% of net sales. Audits identified steps in the production process that could reduce the use of materials and energy, unnecessary work steps, the amount of waste generated, and environmental damage.

The findings and improvement action list from the audit support the Vantaa bakery’s own current plans and actions. The audit also introduced new ideas for long-term plans and improved the team’s understanding of how to make loss visible, while improving the knowhow within the project team.

We will take the experiences gained from the audit of Fazer Bakery into account in refining our approach as we expand the project to other business areas.

“*We purchase 100% renewable electricity.*”

We have also studied the quality and quantity of waste water and made plans to improve its quality at our bakery in Lidköping, Sweden. We recognise that treating waste water can also bring economic benefits in addition to the environmental ones.

Fazer is committed to preparing a water stewardship plan that further specifies our goals and the corresponding measures related to water consumption, waste water, and water use reduction in the value chain. We have joined the Finnish Water Stewardship Commitment and collaborate with WWF Finland, farmers, and other partners in our grain supply chain to minimise environmental impacts involving water.

In 2022, our water consumption decreased by 2%, and our waste water volume decreased by 4%. The water consumption and waste water is based on a calculation and varies depending on the nature of our products.

Outlook for 2023 and beyond

As part of our concerted efforts to reduce emissions from our operations and manage our resources, we plan to continue valorising the current food waste fractions, which are likely to increase as our production volumes rise. Our primary efforts in this area focus on reducing food waste fractions. We will carry on in setting targets to further decrease our hazardous and non-hazardous waste in 2023.

FUEL COMBUSTION AND ENERGY CONSUMPTION			
MWH	2022	2021	2020
Fuel oil	8,944	6,876	9,851
Natural gas	67,999	83,758	81,855
Diesel	1,004	9,500	13,131
Petrol	790	1,483	1,653
Total non-renewable fuels	78,737	101,618	106,491
Wood pellets	6,108	5,275	5,312
Biodiesel	188	6,250	9,272
Biogas	2,708	1,563	9
Total renewable fuels	9,004	13,088	14,593
Renewable electricity	158,401	154,047	151,333
Non-renewable electricity	0	0	0
Purchased steam	55,839	48,237	47,008
District heating	31,889	35,545	24,837
Compressed air	901	889	822
Total purchased electricity	158,401	154,047	151,333
Total energy consumption	246,142	268,753	272,416
Total energy intensity (MWh/produced tonne)	0.5	0.5	0.5



SUSTAINABLE PRODUCTS AND INNOVATIONS

Fazer innovates for a more sustainable food system.

For global society to gain ground in the battle against climate change, immediate and wide-ranging actions are needed. Fazer's position as a market leader obliges us to continuously engage with our customers and consumers and involve them in the process of exploring alternatives that could potentially re-shape the market.

We believe that by taking on the challenge of continuously developing and innovating new food solutions, we can support consumers in making more environmentally and socially responsible choices.

As a manufacturer of plant-based foods, it is important for us to develop products that meet the flavour and texture requirements of consumers. This goes hand in hand with Fazer's principle that taste should come first. Many consumers are curious and interested to explore new food experiences.

Increasing the share of plant-based and other more sustainable recipes in diets doesn't only reduce climate emissions, but it can also help improve human health. By investing in R&D and innovations in foodtech and developing our expertise in more sustainable food, we can expand and reinforce Fazer's position in the food transition.

Accelerating growth through on-trend categories and foodtech

Fazer's strategic aim is to become a leader in plant-based foods in Northern Europe. In part, this means capturing first-mover opportunities as categories develop. Sustainable packaging is another important area where we can make a real difference by fearlessly testing and adopting innovative packaging materials.

To support our ambition of innovating for a more sustainable food system, it is crucial to ensure that all our new product development (NPD) and R&D activities are aligned with our sustainability commitments and that our marketing communications meet all relevant regulations. During the year, there were six possible non-compliances concerning marketing communications, four of which are under investigation and two of which were authorities' notices of unjustified claims. The latter two cases have been corrected accordingly. We increase internal awareness of these topics through checklists and trainings.

Fazer Lab innovates to meet emerging consumer needs

Fazer Lab is Fazer's research and innovation unit, a team responsible for long-term R&D and foodtech innovation at Fazer. Serving all of Fazer's business areas and collaborating with group functions, Fazer Lab's aim is to



PLANT-BASED OFFERING

%	2022	2021
Share of plant-based products in novelties	48	43
Share of plant-based products in offering	48	47

create, grow, and leverage our foodtech business to ensure the company’s role in the future of food. In 2022, the unit’s R&D programme focused strongly on foodtech, nutrition and plant-based innovation.

Fazer’s shareholding in the Finnish start-up Solar Foods is a clear example of Fazer Lab’s efforts to scan for novel food solutions. Solein2Food is a project that aims to commercialise the novel sustainable protein ingredient Solein®, a carbon-neutral protein that can be produced independently of soil, negative land use impacts, weather and climate.

Solein® was submitted to the European Commission for approval as a novel food in 2021. The Singapore Food Agency has granted Solein® regulatory approval as a novel food as of 2022. As shareholders in Solar Foods, Fazer develops and tests products containing Solein® in categories that are relevant to Fazer.

Commercialising long-term innovations born from R&D and driving growth by scaling them is the task of Fazer’s Foodtech business unit, which was established in 2021 and operates under Fazer Lifestyle Foods.

Fuelling our future growth with oats

Fazer invests significantly into R&D on oats, not only with our own proprietary research, but also in collaboration with research institutes and universities. Our projects involve topics such as technological development, processing, nutrition, upcycling, and circularity. For example, our long-term

studies on utilising oats in products have led us to make use of the grain in pioneering ways, such as by producing xylitol from oat hulls.

Plant-based alternatives to dairy are among the fastest-growing segments in the food sector – a global trend that is expected to continue. According to Euromonitor, per capita consumption of plant-based drinks is at 12% in the Nordics. In the US, it is already at 15% – and this is only the beginning.

In terms of ingredients, Nordics oats are a responsible choice for Fazer. In addition to having a low carbon footprint, domestically grown oats have a shorter and simpler supply chain, which is easier to trace and minimises social risks.

An ideal alternative to dairy, oat drinks and other plant-based non-dairy products enable consumers to switch to healthier and more environmentally friendly options. Although virtually any grain can be made into a plant-based beverage, oats are particularly well-suited to the task because of their proven health benefits, mild taste, and natural sweetness.

Fazer recently made an investment to double its oat drink production capacity in Koria, Finland. The Koria factory’s products are sold under the Fazer Aito brand.

Even a bigger step in Fazer’s strategic efforts to become a leader in Northern Europe in plant-based foods took place in early 2022 with our acquisition of Trensums Food, a Swedish manufacturer of plant-based drinks and foods.

Expanding our plant-based offering

Born out of consumers’ desire for a plant-based alternative to milk chocolate, Karl Fazer Oat Choco is an excellent example of Fazer investing to commercialise potential market winners. Buoyed by encouraging test sales at Fazer Cafés and in our own online store, as well as positive feedback from test sales in Finland and Sweden,

CASE: PUSHING THE LIMITS OF SCIENCE WITH CELL-CULTURED COCOA

We work to ensure the sustainable management of our cocoa sourcing activities to secure profitable farming and improve the well-being of farming communities. As climate change threatens traditional cocoa-growing areas near the equator, it is necessary to explore alternative sources for the raw material.

Cellular agriculture is a farming method that does not require plants or farms. It also calls for minimal land and other natural resources for production, as the special cells are grown in bioreactors under controlled conditions to produce the target raw material.

Although the use of cell-cultured cocoa is still a distant reality, it could offer a novel way to manage the challenges of sustainable cocoa sourcing in a fair and transparent value chain. This is why Fazer participates in a three-year R&D undertaking as part of CERA-FIM, a large Finnish research project in cooperation with VTT and funded by Business Finland. The project explores cell-cultured cocoa as an option for the future of chocolate.

The potential of using cellular agriculture to produce cocoa sustainably may not be realised in the near future, but for Fazer, the time to fearlessly explore its possibilities is now.

we expanded production capacity for the vegan cocoa product. Now, the delicious Karl Fazer Oat Choco tablets are distributed more widely, and we plan to launch it into new markets. We are also developing new product types and flavours to add to the Oat Choco series. Moreover, we are continuing our work of changing our existing confectionery product recipes to turn them vegan.

In 2022, the popular Fazer Yosa oat snacks joined the Fazer Aito product family. Although the brand name changed, the products' enticing oat-based recipes have remained the same. In addition, we broadened the plant-based Fazer Aito series with new types of yogurt-like snacks, sweetened only with berries and fruits.

During 2022, we also released several other oat-based novelties, including tempting launches such as Fazer Dumle Granola, and for baking enthusiasts, Fazer Leipurit Fazerina biscuit flour mix.

In oat drinks, the consumer favourite Fazer Dumle Oat Drink was joined by a new flavour – the ever-popular Pätkis, which is made in Korja from domestic oats.

Offering healthier options

According to Finnish Bread Information (Leipätiedotus), the consumption of oat bread is increasing, for example, for the clear health benefits of oats and their suitability for many diets as a naturally gluten-free grain.

In addition to widening our plant-based selection, we have a diverse portfolio of healthy offerings, including those made from whole grains. We are also researching ways to reduce sugar and salt in our products.

We assess our offering based on health factors and use the local Nordic health symbols – the Keyhole label and the Heart Symbol – both of which are designated to healthier alternatives within a product group.



Furthermore, we actively follow regulatory developments in the EU. For example, new front-of-pack nutrition labelling requirements are expected to come into effect at some point in the future.

On the whole, the prospects for Fazer’s sustainable products and innovations are promising. We will evaluate our offering on the category level from both the health and sustainability points of view in 2023. Doing so will help us to steer our offering and develop new and innovative products that provide consumers with healthier and more sustainable options.

Besides preparing to invest further in plant-based foods, we plan to introduce new products and innovations relating to circularity, upcycling, and the valorisation of our production side streams in 2023.

**Fazer’s vision for sustainable packaging 2025:
Our packaging is part of the cycle of nature**

Our mission is to design our packaging for the circular economy, to reduce the use of packaging materials while ensuring the high quality of our products, and to minimise food waste by choosing the right materials. We actively develop more sustainable packaging materials and use them in our products.

- Fazer’s group-wide Sustainable Packaging Programme works on five fronts:
- 1. Reducing the use of packaging materials
 - 2. Promoting recyclable, reusable and renewable packaging materials
 - 3. Developing new environmentally friendly packaging
 - 4. Becoming a forerunner in participating in and promoting research with external partners
 - 5. Gradually switching to either recycled or certified fibre-based packaging materials

Since 2018, Fazer has saved up to 300,000 kg of plastic per year as well as 18,000 kg of metal, based on aggregated figures collected from all our businesses, but mainly from bakeries in all countries from all of our projects.

With minor exceptions, nearly 100% of our packaging is sortable for recycling. Our internal sustainable packaging guidelines advise packaging developers and marketers on choosing the most sustainable packaging materials, including providing them with details on plastic types and their recyclability.

We test our packaging together with packaging producers to enable the switch to thinner plastics or from plastic to other options. Some plastic types are also chosen to prioritise recyclability. Nevertheless, extending foods’ shelf life is of paramount importance when planning packaging.

To engage consumers in all of our markets, we have launched unified recycling symbols to help consumers sort our packaging to enable recycling. These will be used in all of our businesses.

In 2022, we undertook interesting projects in innovative packaging to increase the recyclability of the packaging materials. These projects include a more sustainable version of the granola package that optimises logistics by reducing packaging sizes and leading to more products on each pallet. The new granola package uses fibre-based material and saves 6,000 kg of metal. Also, Christmas calendars were produced without a plastic layer on the cartonboard, enabling better recycling and using 1,200 kg less plastic.

In addition to the development work conducted with our packaging material supplier and practical testing of the new materials, we also participate in research activities. Fazer is an active participant in the Package-Heroes research collaboration, coordinated by the VTT Technical Research Centre.

Package-Heroes research collaborative

The five-year Package-Heroes research project is funded by the Strategic Research Council under the Academy of Finland and coordinated by the VTT Technical Research Centre, one of Europe’s leading research institutions.

The project studies and develops packaging solutions that address food protection as well as the prevention of plastic packaging waste.

Researching topics such as consumer preferences, the environmental effects of different materials and solutions, and ways to commercialise new packaging innovations, the Package-Heroes project will reach its conclusion at the end of 2023.

Monitoring and influencing regulatory developments in packaging

We are continually optimising the packaging we use by applying alternatives with better recycling and renewability rates. We also reduce our use of plastic and metal wherever possible. Additionally, we will gradually start using recycled or certified fibre-based packaging materials, and our target is for 100% of our fibre-based packaging to be sustainably sourced by 2026.

Fazer also monitors and influences regulatory developments and interpretations of the regulations on packaging materials and is an active member in packaging-related forums and working groups in Finland. We intend to keep a close eye on the scientific and technological development of packaging materials in 2023 and beyond.

SUSTAINABLE SOURCING

We strive to ensure the highest quality raw materials and responsible operations throughout our supply chain.

We recognise that sustainable production is essential for Fazer's future and that our actions across our supply chain affect people, their livelihoods, societies, and the environment. Furthermore, we see it as our duty to protect human rights and work to ensure fair incomes and good conditions throughout our supply chain.

Selecting our suppliers and business partners based on their competence, trustworthiness, technical capabilities and compliance with our Supplier Code of Conduct (SCoC) enables us to make certain that our offering is fair and sustainable.

As part of our efforts to reduce environmental impacts throughout our supply chain, we strive to support farming practices that minimise climate impacts and protect biodiversity on land and in water. For example, we have pledged that by 2025, 53% of our suppliers by spend must commit to Science Based Targets. As of the end of 2022, 35% of our suppliers measured by spend had committed to set SBTi targets for emission reduction.

Many of our sustainability programmes aim to deliver positive social and environmental impacts, and in our experience, the two often work hand in hand. For instance, successful initiatives that enhance crop yields would ideally also result in better incomes for farmers.

DEVELOPING REQUIREMENTS FOR FAZER'S SUPPLIERS

We work exclusively with carefully selected suppliers and business partners, and our Supplier Code of Conduct sets the basic conditions that we require from them. To foster sustainable sourcing in our businesses, we measure the percentage of spend that comes from suppliers who have signed our Supplier Code of Conduct. At the end of 2022, 86% (74%) of our suppliers by spend had signed it, and we continue to make progress on this indicator.

Sustainable sourcing

A recent step we have taken to enhance the sustainability of our sourcing activities is the updating of our supplier risk assessment in 2022. Our sustainable sourcing risk assessment model provides us with a framework for evaluating which of our suppliers pose high, medium, or low risks.

The risk assessment model takes three key aspects into account: 1) the nature of the product or service, 2) the country of origin or processing country, and 3) the characteristics of the supplier. In addition to these aspects, external factors such as the development of legislation, public opinion and awareness, and customer requirements affect which product and origin countries are emphasised.

Furthermore, we classify our suppliers based on their maturity level in terms of sustainability. We treat suppliers as Experienced when they show a commitment to sustainability through the involvement of top management, participate in sustainability initiatives such as SBTi, Sedex or Ecovadis, and have full-time employees in sustainability roles.



Intermediate-level suppliers are those that have initiated sustainability work and have some designated resources, but whose management systems are uncertified. Beginner-level suppliers are those for whom, for example, the overall commitment to sustainability is low, and who lack the interest or resources to pursue it further.

During the year, we also updated our supplier self-assessment questionnaires and procedures. As of the end of 2022, we conducted seven audits towards our Supplier Code of Conduct , verified 23 factories through Sedex and conducted 25 audits concerning Fazer’s Food Safety and Quality. In addition, relevant personnel who work with our suppliers receive training in scope 3 emissions, human rights and modern slavery, auditing skills, and other material-specific topics gleaned from our suppliers.

Three levels of supplier engagement

Fazer maintains three levels of sustainability engagement with regard to our raw material suppliers. At the first, or basic level, all our suppliers sign our Supplier Code of Conduct. At the second level are certification programmes, which are risk-based. Within these, Fazer requires all medium and high risk suppliers to fill a self-assessment questionnaire.



FAZER IS COMMITTED TO HAVING 100%:

- Traceable cocoa by 2027
- Roundtable on Sustainable Palm Oil (RSPO) certified palm oil, with only segregated palm oil by 2024
- Certified or recycled fibre-based packaging by 2026
- Rainforest Alliance certified hazelnuts from 2023 onwards
- Cage-free eggs by 2024
- Sustainable certified soy

We have identified raw materials where we have set targets to buy only those that are certified by a certain year. We review the list regularly and create new commitments based on risk analyses and stakeholder dialogue.

The third level concerns our strategic raw materials that are connected to Fazer’s identity, namely cocoa and grains. Through our Cocoa vision and Grain vision programmes, we are able to engage deeply with farmers and producers through a variety of activities in the supply chain.

Fazer’s Cocoa vision

We established Fazer’s Cocoa vision over a decade ago as a long-term programme aiming to improve conditions in the production of cocoa. Through the programme, we aspire and make efforts to safeguard that all cocoa used in our products originates from responsibly managed sources.

During the year, we updated our Cocoa vision to further ensure that we source responsibly produced and managed cocoa throughout our supply chain, including monitoring and third-party verification of the economic, social, and environmental aspects described in the Fazer Cocoa standard. The Fazer Cocoa Standard describes Fazer's sustainability criteria, which includes 18 critical indicators and 100 basic ones.

We source our cocoa through Fazer’s Cocoa Farmer Programmes in Ivory Coast, Nigeria and Ecuador, as well as through the Cocoa Horizons programme and the Rainforest Alliance and the Fairtrade certification programmes. Sourcing through farmer programmes enables us to improve traceability, channel our support actions to those farmers that cultivate cocoa, measure and monitor progress, and gain assurance that our cocoa does not come from protected forest areas.

CASE: FAZER RAISES THE BAR FOR COCOA TRACEABILITY

Sustainable cocoa production is vital for the future of chocolate. As cocoa is a key raw material for Fazer, we do our utmost to ensure its availability and responsible production and protect the livelihood of cocoa farmers. 100% of Fazer’s cocoa originates from responsibly managed sources. Nevertheless, increasing the traceability of our cocoa is a fundamental focus area for us.

As part of our commitment to developing the traceability of our cocoa supply chains, we have set the target of procuring 100% of our cocoa from traceable sources by 2027.

In sourcing cocoa, Fazer considers sustainability from every angle, starting from social responsibility, including human rights, environmental aspects such as deforestation, to ethical business practices. For us, sustainable cocoa means prosperity for farmers, well-being for cocoa communities, and respect for our planet.

Although the growing number of cocoa certifications is a good start, we believe in ambitiously aiming higher and going further, primarily by ensuring that the premiums for the raw material truly go where they are needed.

In 2022, 41% of our cocoa was certified, while 59% came from farmer programmes. The share of our cocoa from farmer programmes has increased gradually year on year.

Fazer Cocoa Farmer Programmes

Cocoa from our own Fazer Cocoa Farmer Programmes in Ecuador, Nigeria, and Ivory Coast is traceable to the farm level, and a recent third-party verification by SCS Global Services confirmed that we maintain good sourcing practices. The results of the verification also support our goal to continuously improve cocoa production in the origin countries.

We establish and develop the farmer programmes together with our suppliers, and collaborate with them in monitoring and follow-up actions. The programmes have four focus areas: child labour, deforestation, living income, and carbon emission reduction. The objectives of the farmer programmes are to secure profitable farming, improve cocoa community well-being, and respect the planet and natural resources.

The farmer programmes' various actions include paying premiums to farmers including training in good agricultural practices and donations of cocoa and shade tree seedlings. In addition, we have put Child Labour Monitoring and Remediation Systems (CLMRS) in place to prevent child labour.

We support community infrastructure projects, such as those for schools and healthcare, and participate in initiatives that empower women. We also offer training in environmental practices and conduct waste management programmes. Moreover, we initiated GPS mapping of farms to facilitate cocoa traceability to the farm level.

Human rights impact assessment

In 2022, we conducted a human rights impact assessment on the topics that are most material to Fazer's operations. The assessment confirmed that global raw material supply chains, including Fazer's own, involve high

risks relating to child labour, modern slavery, occupational safety and health, and living wages.

The findings guide us to take action to expand our current supply chain programmes and strengthen our work to prevent human rights violations. They also equip us to better track our performance in preventing and mitigating effects in the future.

To prevent risks related to child labour, we established the Fazer way of managing CLMRS to identify, address, and prevent child labour in our supply chain. The system is built around training community facilitators who are connected to cocoa farming cooperatives and who visit households and farms to build awareness and monitor child labour on a regular basis.

The CLMRS system implements four functions – namely, raising awareness on child labour and the resulting harms, identifying children engaged in or under the risk of child labour, providing prevention and remediation support, and following up with the identified children, making sure they stop engaging in child labour and have other satisfactory options in life.

Additionally, we conducted training for colleagues in HR and procurement on the topic of human trafficking and preventing labour exploitation in Finland in 2022. The training was arranged by the European Institute for Crime Prevention and Control, affiliated with the United Nations (HEUNI) and Ihmiskaupan uhrien työelämätaitojen ja -valmiuksien kehittäminen (IKUT), a Finnish initiative that seeks to develop the working life skills and capabilities of human trafficking victims.

Living income is one of the focus areas of Fazer's cocoa programmes, and we have also participated in a Living Wage study in Nigeria with our supplier.



Additionally, to support the right to a healthy environment, including clean water, we financed an interesting project in Nigeria that outsources chemical spraying and pruning to professional contractors who are trained in the safe and effective use of chemicals. The project has had a positive impact on crop yields as well as on farmers' earnings. Fazer sponsors the contractors as part of the Cocoa vision programme.

Moreover, we also aided health care clinics in Nigeria, providing farmers and their family members with 230 eye surgeries they needed in order to overcome blindness.

Fazer's Grain vision - promoting sustainable grain farming

Despite the significant price increases that took place during the year, Fazer continued to use only domestic grain in its consumer products in 2022. As one of the largest buyers of flour and a significant user of grain in the Baltic Sea region, we promote sustainable agriculture in partnership with local farmers. Our Grain vision includes ten principles for implementing regenerative farming that help farmers make their activities more climate friendly.

Fazer created the principles for sustainable farming in collaboration with Finnish and Swedish stakeholders, with diverse groups such as farmers, producers' associations, and environmental organisations taking part in the work. The principles compile existing good practices that are already being followed either fully or partially, and focus on minimising eutrophication, protecting biodiversity, and minimising the use of pesticides. Our target is for all grain used in Fazer's consumer goods in Finland and Sweden to fulfil the sustainable grain farming principles by 2025. This initiative is part of our commitment to protect the Baltic Sea ecosystem.

In 2022, we began reviewing our Grain vision programme and organised a group-wide cross-functional project team to review the current status of actions and means to ensure that we reach the 2025 target. We also



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As one of the largest buyers of flour and a significant user of grain in the Baltic Sea region, we promote sustainable agriculture in partnership with local farmers.

reflected on the long-term goals of the programme against Fazer’s 2030 ambitions, conducted stakeholder mapping, and engaged with key collaboration partners.

Working towards sustainably sourced palm oil by 2024

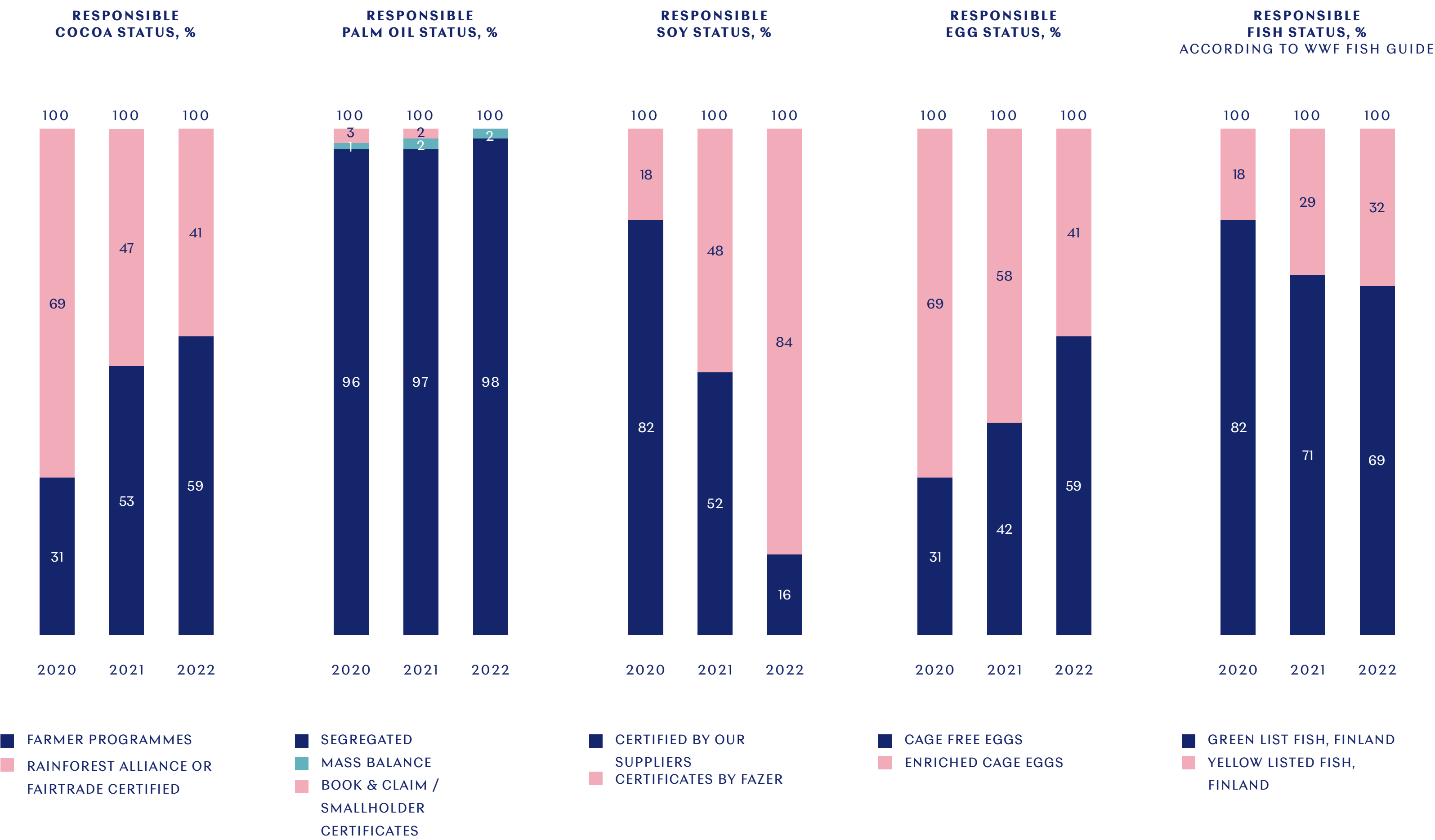
We have a target that all palm oil used in Fazer products will be segregated by 2024. This means that the certified sustainable palm oil will be kept separate throughout our supply chain, and then closely followed, with records kept internally at our own production facilities. As of the end of 2022, 98% (97%) of our palm oil was segregated.

We conform with the requirements of the Roundtable on Sustainable Palm Oil (RSPO) and are committed to using only RSPO-certified palm oil. The RSPO is a global, multi-stakeholder initiative established to tackle the challenges related to palm oil production.

Following the divestment of our Russian operations, Fazer no longer uses conventional palm oil in any of its products. Furthermore, in 2022, we began gradually phasing out palm oil from our confectionery and biscuit offering. In the years to come, we will continue to conduct RSPO supply chain audits at our production sites that use palm oil.

We will carry on investing in R&D to develop healthy and sustainable food products and find ways to replace palm oil with sustainable fats, oils, and other ingredients with even greater health value.

100% SUSTAINABLY SOURCED





We continue working with the sustainability of our key raw materials – cocoa and grains

Committed to sourcing cage-free eggs

Animal welfare is a critical sustainability topic for Fazer, and in 2022 we published Fazer's Animal Welfare policy. Our commitment to source cage-free eggs encompasses all our businesses and markets. We have pledged to shift gradually to using only cage-free eggs by 2024, and in 2022, the share of cage-free eggs we used in our products was 59% (42%).

We created our commitment to sourcing only cage-free eggs in collaboration with our stakeholders, basing it on discussions with different actors along the value chain.

Sustainable fish according to the WWF fish guide

We serve some fish and seafood in our cafés, and our criteria for sustainable seafood is in line with the fish guide WWF updates each year. The WWF fish guide evaluates which fish species are not endangered and are therefore considered safe to consume.

Species that may be consumed can vary by area because, for example, a certain type of salmon could be in danger or overfishing in one area but not in others. WWF's fish guides for different countries categorise fish as red-, yellow-, or green-listed based on their status. The share of green-listed fish Fazer used in 2022 was 69% and yellow-listed was 32%. Fazer does not use endangered, red-listed fish.

Monitoring our suppliers' progress in securing sustainable and certified soy

Fazer does not use large amounts of soy, and we seek to reduce its use further. Currently, we use soy as lecithin and soy grits in a few products. Some of the supply chains of our animal-based ingredients include soy as animal feed. All the soy is either certified by our suppliers or we buy credits to compensate for the remaining volumes. Cows producing the milk for our milk chocolate are fed with soy-free feed.

Certified and sustainably produced hazelnuts by 2023

In 2021, we investigated the best way forward in sourcing sustainably produced hazelnuts. Based on the risk evaluation for raw materials, Fazer decided to gradually transfer to sourcing certified hazelnuts. In 2023, all hazelnuts we use in our products will be Rainforest Alliance certified.

Preventing deforestation and protecting biodiversity

Fazer requires sustainability certifications for raw materials that are considered as global drivers for deforestation, such as palm oil and soy. Our Supplier Code of Conduct requires suppliers to implement procedures to verify that wood-based materials and derivatives purchased are legally harvested and traded.

Promoting responsible forestry and protecting biodiversity are fundamental to our Cocoa vision and Grain vision programmes. For instance, we support cocoa producers in implementing agroforestry, and one of our grain farming principles is diverse vegetation in farms.

We actively follow the development of EU deforestation legislation and will act accordingly.

Our efforts to protect and promote biodiversity are outlined in our Supplier Code of Conduct, the ten principles of our Grain vision, and in our Cocoa vision.

The way forward

We continue working with the sustainability of our key raw materials – cocoa and grains. We also intend to create roadmaps to further enhance the sustainability of our raw material sourcing. In 2023, we will take a closer look at sugar, coconut oil, beef, and coffee. Additionally, we will update our approach to sustainable soy next year.

PEOPLE AND WELL-BEING

We provide opportunities for growth in a modern, safe, and inclusive culture.

Our aim is to be a force for good in people's lives. We strive to cultivate a safe and inspiring working environment where our employees can learn and thrive. In line with our values, every individual at Fazer should feel welcome as they are. They should feel trusted, and as a result, inspired to contribute their best.

People & Well-being are part of Fazer's sustainability ambitions, and its agenda consists of three core pillars. Each pillar is equally critical to our plans and has therefore been equipped with its own targets and roadmaps.

- The health and safety of our people always comes first.
- We promote engagement and well-being in a working environment where our people thrive.
- Our work environment is diverse and inclusive, and everyone can be themselves.

In 2022, we made good progress in several areas of our People & Well-being ambition. We launched a common Fazer Well-being Framework during our annual sustainability week, we communicated the topic regularly throughout the year and provided our employees with new tools. In addition, to develop our people's competences, we implemented capability development programmes in leadership, marketing, R&D, finance, and digital proficiency, as well as in both industrial production and artisanal baking.

We also defined our Employer Branding (EB) focus areas and developed a strategic EB Framework with a communication plan around key story themes about life at Fazer.

Fazer does well in ideal employer rankings in Finland. This year, we made significant progress in Universum's rankings among technology professionals, taking our place among the top 20 ideal employers in the country for the first time.

Diversity and Inclusion (D&I) targets and a roadmap were defined during 2022, and we are focusing our initial efforts on building awareness among our managers. Also, an e-learning programme launched in December aims to create a basis for dialogue among employees, encouraging practices that promote an inclusive environment.

Additionally, during the year, we defined a Fazer Compensation & Benefits vision and roadmap focusing on fair and aligned reward practices. As part of this, new salary setting guidelines were introduced towards the end of 2022.

The health and safety of our people always comes first

Safety is a top priority at Fazer, and we build it into all our structures and routines so that it is deeply ingrained in our work culture. Our target is zero accidents, and we constantly monitor our safety data to scan for improvement areas. All work-related incidents must be reported and investigated, and information on the root causes and corrective actions must be shared within the organisation. Employee representatives also



participate in the development of our health and safety management systems, for example, through the local health and safety committees.

Our employees receive both generic company-level safety training and local safety training relevant to their roles and jobs. These are conducted during working hours, excluding those online safety trainings which must be completed before entering sites. Employees working in production have annual refresher trainings, and certain qualifications, such as electrical safety and working in confined spaces, must be renewed regularly.

At the start of 2022, we began to digitalise, standardise, and develop our Group-level safety reporting procedures. We replaced our safety reporting tool with a new and more user-friendly programme. The purpose of the change, which affected all our units and functions in Finland, was to improve several reporting features and reduce manual data entry for various steps.

The newly adopted programme enables businesses and functions to report many safety deviations and take proactive occupational safety measures, as well as manage and follow them up more effectively.

Creating a zero-accident culture

In 2022, Fazer Group’s Lost Time Accident Frequency (LTAF) amounted to 4.1, we reached our target of 4.7. A total of 11,508 safety observations were made, which is an increase of 25% compared to 2021. There were no fatalities during the year.

Developing a safety culture takes time and effort. To reach our zero-accident target, it is vital that we continue to optimise the safety of our working environments and ways of working. This will require systematic daily work and the engagement of all our employees over the long term.

Employees can contribute to safety efforts by making safety observations and setting examples with good practices, taking care of their own and

their teams’ safety, and bringing improvement suggestions forward. Looking ahead, we must also consider new approaches for reviewing our methods for tracking and measuring safety and consider a broader focus that follows up on other aspects beyond Lost Time Accidents (LTA).

PROMOTING ENGAGEMENT AND WELL-BEING

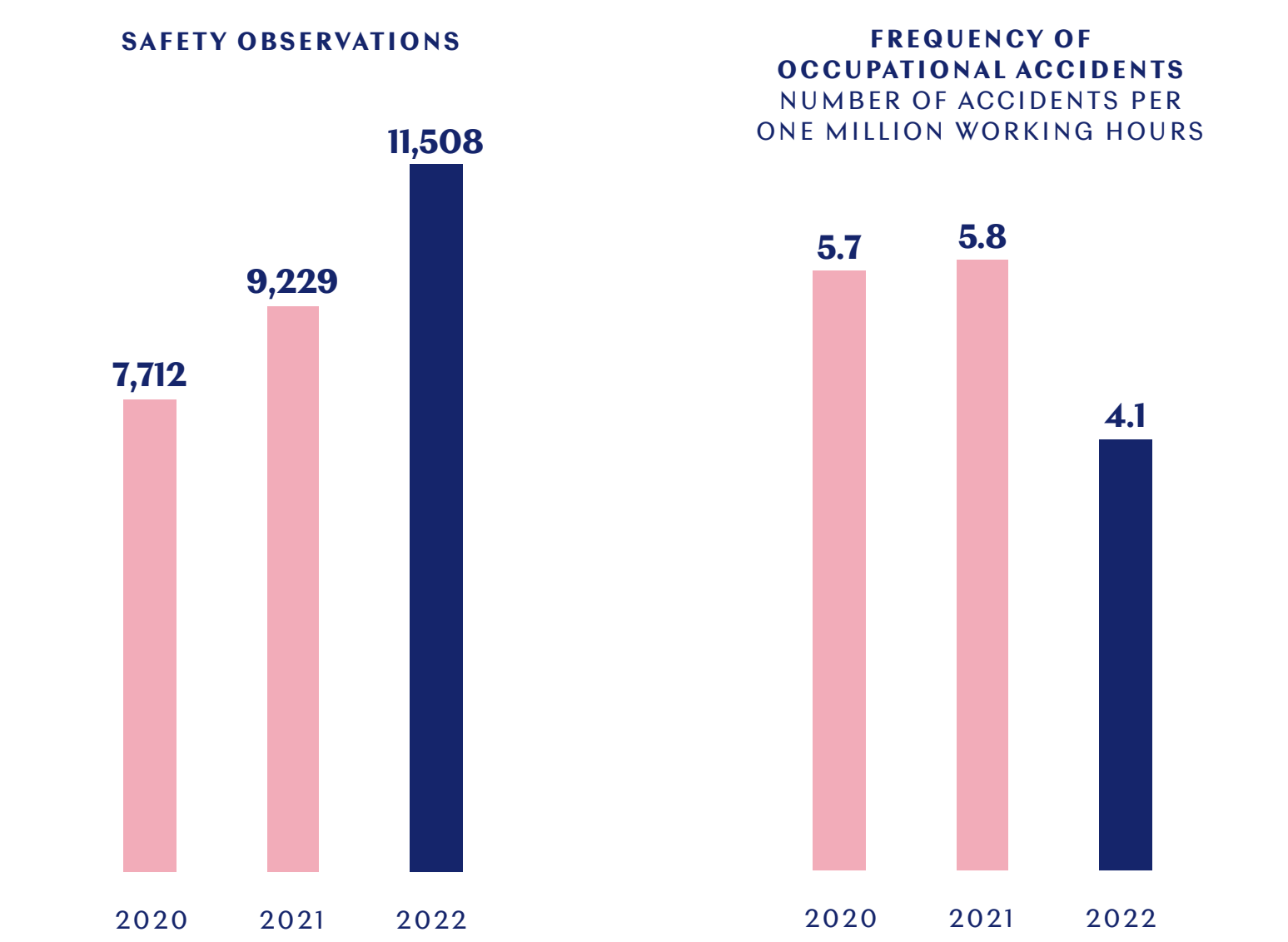
Every employee at Fazer should feel well and consider their work as a source of well-being. These ideals are at the heart of our common Well-being Framework, which provides tools and guidance, along with concrete actions.

To promote employee well-being, Fazer has a well-being team that was formed to enable even deeper expertise and capability development. The team has made a well-being toolkit available for managers and employees. It includes trainings, tailored team activities, webinars on topical well-being themes, and useful tips.

Additionally, we have introduced an online service for employees who are concerned about their mental well-being. The service offers webinars on topics such as the power of routines, resilience, giving and receiving feedback, and recovery skills in everyday life. Monthly well-being themes at Fazer also seek to inspire employees to focus on well-being.

Furthermore, well-being was raised as a key topic in several teams’ action plans during the year and at various team days organised throughout the Group, such as well-being week at Fazer Sweden. Everyone is encouraged to take action and activities are planned at the team level as well as collectively. The results of the various actions can be seen in our latest employee engagement survey, which shows an improvement in the area of well-being at company level.

We continue to conduct employee engagement surveys annually with themes around well-being, team leadership, and inclusion, among other



FREQUENCY OF OCCUPATIONAL ACCIDENTS NUMBER OF ACCIDENTS PER ONE MILLION WORKING HOURS			
	2022	2021	2020
Fazer Bakery	3.2	3.9	5.2
Fazer Confectionery	4.3	6.8	5.9
Fazer Lifestyle Foods	7.7	16.8	10.1
Others	2.4	0.0	2.7
Total in Group	4.1	5.8	5.7

significant topics. The survey results are shared widely, and actions are taken at the team level.

In 2022, our employee survey results showed a highly engaged team who feel proud of working at Fazer and who strongly support our common goals. The results reflect the same Fazer spirit that has helped the company stay strong through the hard times of recent years. Compared to 2021, the results showed a consistent improvement in nearly all themes, apart from team leadership. These results suggest that employees feel there could be more encouragement to share different ideas in their team and to give feedback. 75% of employees responded to the survey in total.

The European Works Council (EWC), a forum for active dialogue between personnel representing all Fazer countries and management on common themes, held its annual meeting at the end of November. The topics covered in 2022 ranged from the company's future plans and the current business context to the work environment and well-being topics, among others. New representatives are set to be elected in spring 2023.

More than 80% of Fazer's employees are covered by collective bargaining agreements, and for those who are not covered, the terms of their employment are determined through individual negotiation, using standard contracts with local employment law as the reference point.

As many as 7,000 people within our current workforce with roles in transportation, maintenance, office and technical staff are personnel who are not directly employed by Fazer. Finding skilled employees can be challenging, and it is sometimes necessary for us to hire agency personnel. Examples of these are in production as well as in Fazer Retail operations, where personnel turnover is high.

Our values, behaviours and culture

We believe that our values – Northern Liberty, True Relationships, and Fearless Creativity – are a reflection of Fazer's distinctive identity. They also create a clear path for us to follow, allowing us to uncover and realise our potential. Ongoing efforts to promote our values include our annual Rooster Award, dedicated to people who represent Fazer's values and behaviours in their daily interactions. Annual performance reviews also integrate our behaviours, as they represent our values in our daily operations.

We do our best to nurture a culture where people feel a strong sense of ownership for their areas of responsibility, striving to win as one Fazer with common goals. As a workplace, we aim to create an environment where everyone feels accepted and is encouraged to share their views. We want our employees to focus on improving every day, in a learning culture where we dare to test ideas and learn from our mistakes.

Employee development is strongly encouraged at Fazer, and we offer opportunities for people to develop through training, as well as by learning from others through mentoring, coaching, and feedback. Internal job rotation is another important avenue for developing our people and to offer them to new career opportunities. Job rotation benefits both the individual in terms of growth, and Fazer by way of knowledge sharing. In 2022 nearly 50% of all white-collar vacancies were filled by internal candidates.

In order to evolve our culture further and drive success, we systematically develop critical capabilities at Fazer. We identify these capabilities as part of our talent review process and develop them through tailor-made programmes. For instance, as employees' competence in digital technologies is critical to our strategy, we conduct trainings as part of our Marketing trainings curriculum as well

CASE: PRACTICAL MEASURES FOR PREVENTING HAND INJURIES

Fazer launched a Group-wide safety campaign in 2022 after statistics showed that 61% of the accidents that led to absences involved injuries to the hands or fingers.

Introduced in all business areas, units, and functions, the campaign, explored four themes: Use protective gloves, consider where you put your hands, keep calm during a malfunction, and prevent slipping.

Supervisors played an integral role in carrying out the work, which aimed to improve awareness of good hand safety practices as well as ensure that teams know the basics.

When compared to the same period in 2021, there was a 55% increase in safety observations following the introduction of the campaign. Roughly the same number of safety dialogues was held when compared to the previous year, and there were 8% fewer hand accidents in the same period.



Developing a safety culture takes time and effort.

as in our Digital Academy. In the autumn, we introduced a Transformation Forum to help drive change through actionable discussions on strategically critical matters, as well as to encourage collaboration around key topics, including digital transformation.

On average, Fazer employees participated in 6.5 hours of training in 2022. White-collar employees' annual performance review process (IPMP) completion rate after our mid-year review in 2022 was excellent at 90.7%.

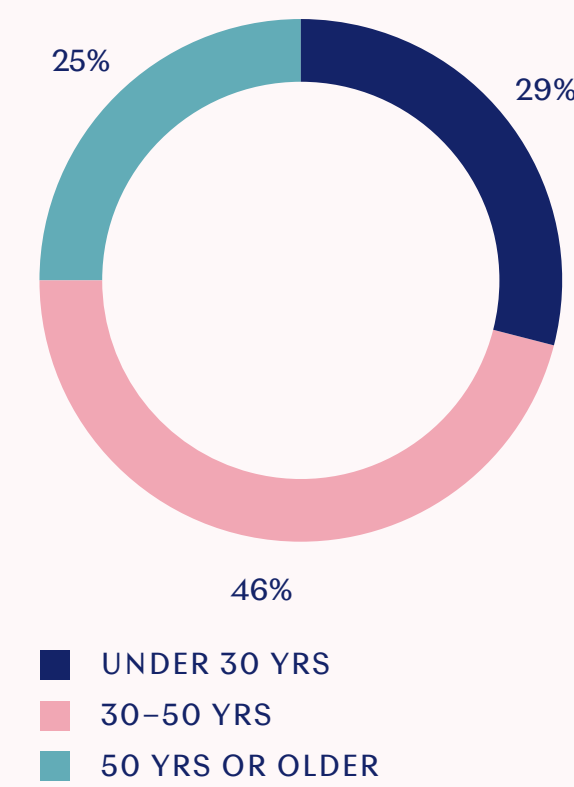
Cultivating a diverse and inclusive working environment

We are the Food Experience Company, and to create meaningful experiences for different consumers, it is crucial that we understand diversity and also reflect it in our own teams. By bringing people with different backgrounds together and encouraging various perspectives, we can spark fearless creativity and accelerate growth through innovations.

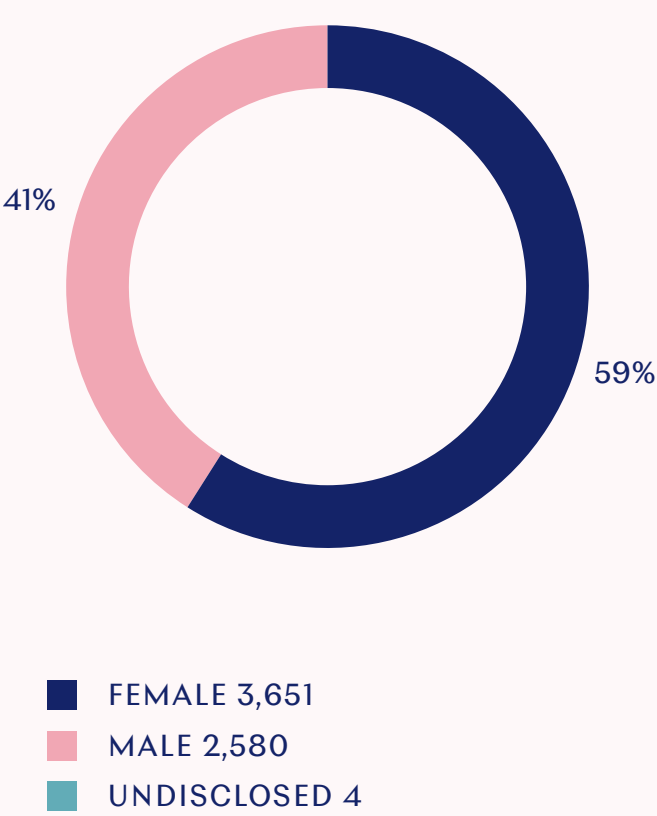
At present, as an organisation, Fazer is characterised by a good balance of genders and a fair distribution of ages. Nevertheless, our leadership teams could benefit from greater diversity in terms of cultural backgrounds. Targets with a particular focus on raising the diversity of the backgrounds of our business and functional management teams were set in 2022.

During the year, we began to build awareness through managerial trainings to create a basis for dialogue and encourage practices that promote an inclusive environment. Our employee survey showed positive development in the inclusion experience of our employees. In 2023, we continue raising awareness among all our personnel. We have also conducted self-assessments to identify areas to focus on in the future, while continuing to develop inclusive practices.

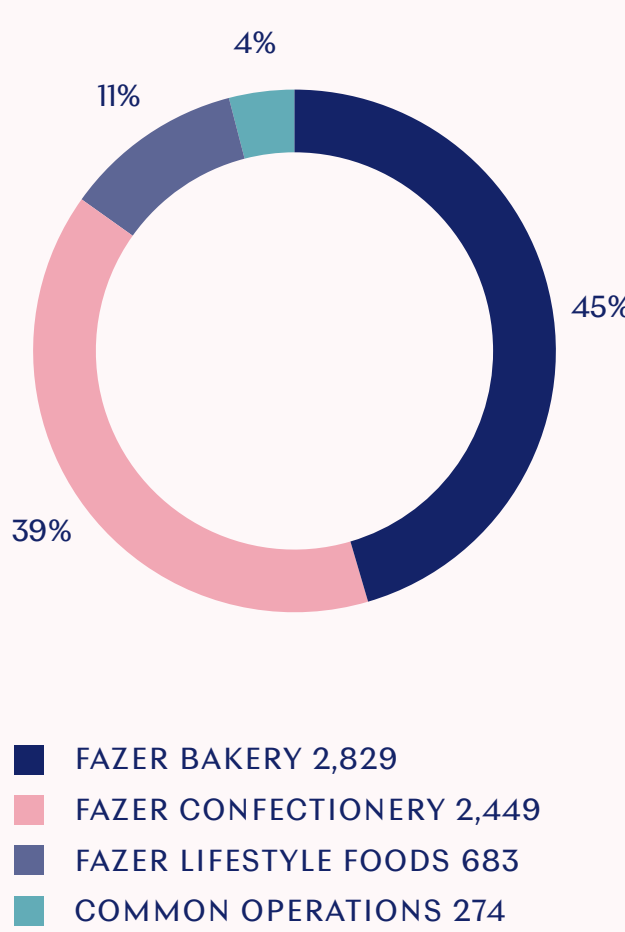
EMPLOYEES BY AGE, %



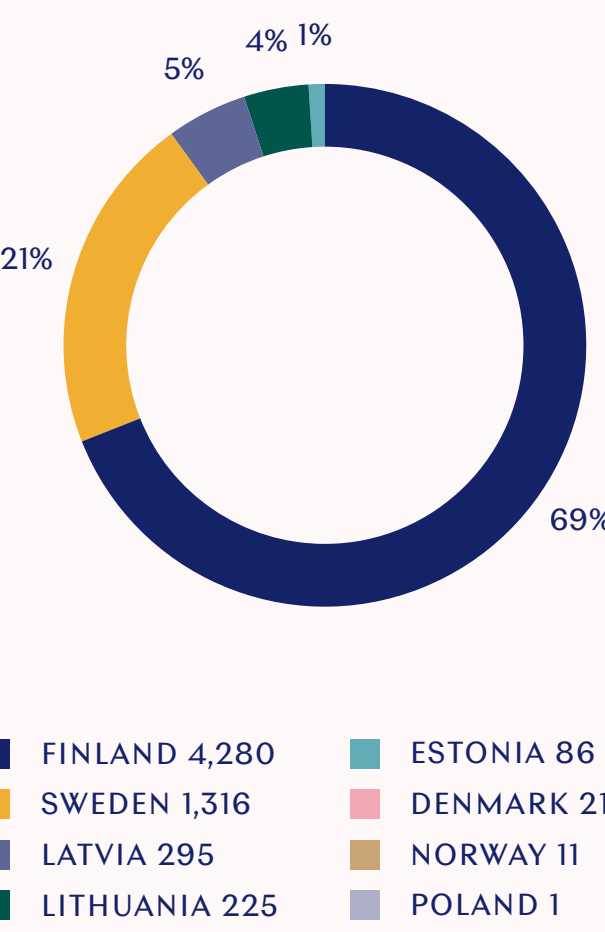
EMPLOYEES BY GENDER



EMPLOYEES BY BUSINESS AREA



EMPLOYEES BY COUNTRY



EMPLOYEES AND EMPLOYMENT TYPES

	TOTAL		FINLAND		SWEDEN		LATVIA		LITHUANIA		ESTONIA		OTHER COUNTRIES	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Number of employees*	3,651	2,580	2,632	1,644	623	693	196	99	107	118	77	9	16	17
Employment types														
Permanent	2,986	2,267	2,199	1,467	422	568	170	92	106	115	74	9	15	16
Temporary	318	190	222	94	68	87	26	7	1	1	0	0	1	1
On-call	347	123	211	83	133	38	0	0	0	2	3	0	0	0
Full-time	2,514	2,186	1,824	1,415	304	532	194	98	107	115	69	9	16	17
Part-time	1,137	394	808	229	319	161	2	1	0	3	8	0	0	0

*Does not include persons of undisclosed gender

MANAGEMENT BY GENDER, %

	FEMALE	MALE
Board of Directors	37.5	62.5
Fazer Leadership Team	33	67

GROUP EMPLOYEES BY GENDER, %

	FEMALE	MALE
Management	45	55
Senior Salaried	59	41
Salaried	60	40
Blue Collar	59	41

MANAGEMENT BY AGE, %

	UNDER 30	30–50	OVER 50
Board of Directors	0	25	75
Fazer Leadership Team	0	11	89

GROUP EMPLOYEES BY AGE GROUP, %

	UNDER 30	30–50	OVER 50
Management	0	59	41
Senior Salaried	4	67	29
Salaried	17	55	29
Blue Collar	36	41	22

Ethical business practices

Our Code of Conduct training is essential for educating employees on Fazer business practices and ethics. As of the end of 2022, the status of the Code of Conduct eLearning among our white-collar employees was at 96%, and 81% of our blue-collar employees had viewed the Code of Conduct Video. Overall, 86% of employees had received training in our Code of Conduct as of the end of the year.

For reporting serious suspicions of misconduct in good faith, a whistleblowing service is available for our employees and external parties, and anyone can use the tool anonymously. Provided by an external partner, the service is both encrypted and password protected. No metadata is saved, and IP addresses are untraceable, preventing the identification of anonymous whistleblowers. The reports are available to the Fazer whistleblowing team and other selected people, when necessary. ´

A total of 36 cases were reported in the whistleblowing channel in 2022. All cases have been closed except of one case that is still under investigation. None of the closed cases verified the allegations. The cases concerned privacy, production hygiene or well-being, production-related issues or personal health issues and corruption.



We wanted to open a dialogue on the situation and the well-being of young people. According to a survey we conducted last year, more than 70% of young adults felt that companies and brands should raise topical issues. We feel that as a large company we have the opportunity – even the responsibility – to raise value-based issues.

CASE: RAISING AN ALERT FOR MARGINALISED YOUTHS

In 2022, the Oululainen Reissumies bread brand campaigned against youth exclusion by removing the illustration of the familiar Reissumies character from its bread packaging for the month of November.

Youth exclusion is a major challenge in society. The empty labels on Reissumies bread bags aimed to direct attention to the fact that 50,000 young people have been excluded from the community and become invisible to society. The campaign encouraged Finns to take an active interest in young people and ask genuinely how they are doing?

Fazer produced two million packaging bags for this effort, which also encouraged people to get involved in voluntary work organised by the Finnish youth organisation Children of the Station. Fazer also made a donation to assist the organisation’s efforts.

Earlier in the year, Reissumies had already received accolades for promoting men’s diversity and inclusion with another campaign, which challenged ideas on the depiction of Reissumies’ iconic character.

As a brand, Reissumies wants to be involved in helping everyone finding their own path. It’s only natural for the brand to take a stand on relevant, value-based matters.

SUSTAINABILITY REPORTING PRINCIPLES AND DATA

Fazer aims to continuously improve the company's sustainability reporting. For the first time in 2021, Fazer reported in accordance with the Global Reporting Initiative (GRI) and continues to do so by adopting GRI's renewed Universal Standards 2021. The content and selected indicators are based on stakeholder feedback and a materiality analysis conducted in 2021 and reviewed by Fazer sustainability experts in 2022. We have also reported on Fazer's own topics to complement the material GRI indicators.

The reporting period corresponds to the calendar year and to Fazer's financial year of 1 January–31 December 2022. The reporting scope covers all major sites and production units, unless otherwise indicated. Fazer has recalculated all the sustainability data from the previous reporting years of 2021 and 2020 due to the divestment of its Russian bakery operations and the acquisition of Trensums Food.

The sustainability data reported in this Annual Report is not assured. However, Fazer plans to conduct assurance for a limited scope of climate and food loss related data during the year 2023.

DATA COLLECTION

All financial data has been collected through Fazer’s financial reporting systems. All financial figures presented in this report are based on Fazer’s consolidated and audited Financial Statements.

The personnel data covers all Fazer’s operating countries and its personnel. The data is collected by Fazer’s HR organisation through a centralised HR information system covering the majority of Fazer’s operating countries, and in individual cases, through a separate spreadsheet. In sustainability reporting, the personnel-related data is presented in headcounts, whereas in financial reporting the data is presented in FTEs instead. The number of non-Fazer employees is collected from security systems and based on the amount and roles of accesses granted to Fazer premises.

Fazer’s environmental performance has been reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, with an Operational Control approach. In the process of setting Science Based Targets, the company performed an emissions screening. The screening determined the material emission categories, e.g: fugitive emissions, purchased services, capital goods, employee commuting, downstream transportation and distribution (including the Well-to-Tank emissions), and end-of-life treatment of sold products.

The environmental data has been collected from all Fazer’s production units in Finland, Sweden, Latvia and Lithuania. The environmental data concerning energy usage and fuel combustion, waste fraction volumes, water withdrawal, wastewater and environmental incidents, has been collected from manufacturing sites using a data collection spreadsheet. For scope 1

emissions calculations, the used emission factors have been a combination of the DEFRA database (UK Government GHG Conversion Factors for Company Reporting, 2022), Statistics Finland; Fuel classification and supplier provided emission calculations. The scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market and location-based method). The appropriate location emission factors have been obtained from Statistics Finland, the Association of Issuing Bodies (EU Residual Mix) and the International Energy Agency (IEA). Fazer’s electricity provider guarantees the origin of the purchased hydroelectricity via certificate, and provides the emission factors via a public Environmental Product Declaration.

Most of the scope 3 supply chain related emissions (Categories 1, 2, 4, 9 & 12) are calculated with a hybrid data approach utilising emission factors mapped against a mix of Ecoinvent database (volume) and Exiobase database (spend), where Ecoinvent accounts for the largest share. The transportation and distribution data covers the inbound raw material transport, inter-Fazer transportation and outbound finished goods transportation from Fazer’s production units to customers, all paid by Fazer. The owned and leased vehicle fuel consumption data has been collected from the service providers of Fazer. The logistics emissions (transport, storage and distribution) are calculated with a mix of supplier-specific emission factors, the EXIO database spend-based factors and the DEFRA Database. The upstream emissions from fuel and energy related activities are calculated with a mix of national Well-to-tank emission factors. The emissions from waste generated in operations are calculated by using a combination of emission factors from the DEFRA database and

Helsinki Region Environmental Services’ Julia 2030 Project. Emissions from business travel are calculated by Fazer’s supplier and incorporated into the GHG inventory. Employee commuting emissions are calculated based on the headcount and by using the emission factors from the DEFRA database and the LIPASTO database from the VTT Technical Research Centre of Finland Ltd.

The classification of production tonnes excludes the milling side stream fractions classified as human non-edibles. The production volumes used for any intensity calculation are based on the data from Fazer’s Enterprise Resource Planning (ERP) system.

STANDARDS, CERTIFICATIONS AND AUDITS

[illegible]















GRI CONTENT INDEX

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED FULLY PARTIALLY	COMMENTS (2022)
GRI 2: General disclosures (2021)				
Organisational profile				
2-1	Organisational details	Financial review: Corporate Governance	●	Fazerintie 6 PO Box 4 FI-00941 HELSINKI FINLAND
2-2	Entities included in the organisation's sustainability reporting	Annual review: Sustainability reporting principles and data	●	
2-3	Reporting period, frequency and contact point	GRI index	●	Reporting period: 1 January –31 December 2022. Report publication date: 22 March 2023 Contact point: Joséphine Mickwitz, josephine.mickwitz@fazer.com
2-4	Restatements of information	Annual review: Sustainability reporting principles and data	●	
2-5	External assurance	Annual review: Sustainability reporting principles and data	●	The report is not externally assured.
Activities and workers				
2-6	Activities, value chain and other business relationships	Annual review: Our value chain; Stakeholder engagement; Our businesses: Fazer Bakery; Our businesses: Fazer Confectionery; Our businesses: Fazer Lifestyle Foods	●	
2-7	Employees	Annual review: People and well-being	●	
2-8	Workers who are not employees	Annual review: People and well-being	●	
Governance				
2-9	Governance structure and composition	Financial review: Corporate Governance; Board of Directors	●	
2-10	Nomination and selection of the highest governance body	Financial review: Corporate Governance	●	
2-11	Chair of the highest governance body	Financial review: Corporate Governance	●	The Chairman of the Board is not a senior executive in the company.
2-12	Role of the highest governance body in overseeing the management of impacts	Financial review: Corporate Governance; Board of Directors' Report	●	
2-13	Delegation of responsibility for managing impacts	Financial review: Board of Directors' Report; Annual review: Sustainability at the core	●	
2-14	Role of the highest governance body in sustainability reporting	Financial review: Board of Directors' Report	●	

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED FULLY PARTIALLY	COMMENTS (2022)
2-15	Conflicts of interest	Financial review: Corporate Governance; Board of Directors	<div><div></div></div>	
2-16	Communication of critical concerns	Financial review: Corporate Governance; Board of Directors	<div><div></div></div>	
2-17	Collective knowledge of the highest governance body	Financial review: Board of Directors' Report	<div><div></div></div>	
2-18	Evaluation of the performance of the highest governance body	Financial review: Corporate Governance	<div><div></div></div>	
2-19	Remuneration policies	Financial review: Corporate Governance	<div><div></div></div>	
2-20	Process to determine remuneration	Financial review: Corporate Governance	<div><div></div></div>	
2-21	Annual total compensation ratio	Financial review: Corporate Governance	<div><div></div></div>	Fazer reports the total compensation of the President & CEO and members of the Fazer Leadership Team. The total compensation ratio is not disclosed due to incomplete data regarding the median annual compensation for employees.
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	Annual review: Fazer in 2022	<div><div></div></div>	
2-23	Policy commitments	Financial review: Board of Directors' Report; Annual review: Sustainability at the core; People and well-being	<div><div></div></div>	Fazer's policies can be found online.
2-24	Embedding policy commitments	Financial review: Board of Directors' Report; Annual review: Sustainability at the core; People and well-being	<div><div></div></div>	
2-25	Processes to remediate negative impacts	Financial review: Board of Directors' Report; Annual review: Sustainability at the core; People and well-being	<div><div></div></div>	
2-26	Mechanisms for seeking advice and raising concerns	Financial review: Board of Directors' Report; Annual review: People and well-being	<div><div></div></div>	
2-27	Compliance with laws and regulations	GRI index	<div><div></div></div>	There have been no significant instances of non-compliance to laws and regulations during 2022.
2-28	Membership associations	Annual review: Memberships and initiatives	<div><div></div></div>	
Stakeholder engagement				
2-29	Approach to stakeholder engagement	Annual review: Stakeholder engagement	<div><div></div></div>	
2-30	Collective bargaining agreements	Annual review: People and well-being	<div><div></div></div>	

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED PARTIALLY	FULLY	COMMENTS (2022)
GRI 3: Material Topics (2021)					
3-1	Process to determine material topics	Annual review: Sustainability at the core	●		
3-2	List of material topics	Annual review: Sustainability at the core	●		
3-3	Management of material topics	Annual review: Sustainability at the core; Climate and circularity; Sustainable products and innovations; Sustainable sourcing; People and well-being	●		
ECONOMIC STANDARDS					
GRI 201: Economic performance (2016)					
201-1	Direct economic value generated and distributed	Financial review: Group key figures, financial statements; Annual review: Fazer creates value; Fazer in 2022; Sustainability at the core	●		
GRI 203: Indirect economic impacts (2016)					
203-2	Significant indirect economic impacts	Financial review: Board of Directors' Report; Annual review: CEO's review; Highlights; Fazer creates value	●		
ENVIRONMENTAL STANDARDS					
GRI 301: Materials (2016)					
301-1	Materials used by weight or volume	Annual review: Climate and circularity	●		The data refers to packaging materials.
GRI 302: Energy (2016)					
302-1	Energy consumption within the organisation	Annual review: Climate and circularity	●		
302-3	Energy intensity	Annual review: Climate and circularity	●		Energy intensity has been calculated on the sum of all energy types.
GRI 303: Water and Effluents (2018)					
303-1	Interactions with water as a shared resource	Annual review: Sustainability at the core; Climate and circularity	●		
303-2	Management of water discharge-related impacts	Annual review: Climate and circularity	●		
303-3	Water withdrawal	Annual review: Climate and circularity	●		Water withdrawal not broken down by source, but in most instances, water is drawn from the municipal supply.
303-4	Water discharge	Annual review: Climate and circularity	●		Water discharge not broken down by source, but in most instances, water discharge from production goes to municipal sewage and is handled there.
303-5	Water consumption	Annual review: Climate and circularity	●		

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED FULLY PARTIALLY	COMMENTS (2022)
GRI 304: Biodiversity (2016)				
				Fazer's main indirect impacts to biodiversity occur in its supply chain, in connection to the farming of the raw materials.
304-2	Significant impacts of activities, products, and services on biodiversity	Annual review: Sustainable sourcing		Species affected, the extent of areas impacted, the duration and reversability of impacts not reported.
GRI 305: Emissions (2016)				
305-1	Direct (Scope 1) GHG emissions	Financial review: Board of Directors' Report; Annual review: Sustainability performance; Climate and circularity; Sustainability reporting principles and data		All gases included as Fazer's uses CO ₂ equivalents in GHG emission calculations.
305-2	Energy indirect (Scope 2) GHG emissions	Annual review: Climate and circularity; Sustainability reporting principles and data		All gases included as Fazer's uses CO ₂ equivalents in GHG emission calculations.
305-3	Other indirect (Scope 3) GHG emissions	Financial review: Board of Directors' Report; Annual review: Climate and circularity; Sustainability reporting principles and data		All gases included as Fazer's uses CO ₂ equivalents in GHG emission calculations.
305-4	GHG emissions intensity	Annual review: Climate and circularity; Sustainability reporting principles and data		All gases included as Fazer's uses CO ₂ equivalents in GHG emission calculations. Organisation-specific metric is produced tonnes.
GRI 306: Waste (2020)				
306-1	Waste generation and significant waste-related impacts	Annual review: Fazer Bakery; Climate and circularity; Sustainable products and innovations		
306-2	Management of significant waste- related impacts	Annual review: Climate and circularity; Sustainable products and innovations		
306-3	Waste generated	Annual review: Climate and circularity		
306-4	Waste diverted from disposal	Annual review: Climate and circularity		
306-5	Waste directed to disposal	Annual review: Climate and circularity		
GRI 308 Supplier Environmental Assessments				
308-1	New suppliers that were screened using environmental criteria	Annual review: Climate and circularity		

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED PARTIALLY 	FULLY 	COMMENTS (2022)
SOCIAL STANDARDS					
GRI 403: Occupational health and safety (2018)					
403-1	Occupational health and safety management system	Annual review: Sustainability at the core; People and well-being			Workers who are not employees but whose work and/or workplace is controlled by the organisation are not included in the reported information.
403-2	Hazard identification, risk assessment, and incident investigation	Annual review: People and well-being			See comment above.
403-4	Worker participation, consultation, and communication on occupational health and safety	Annual review: People and well-being			See comment above.
403-5	Worker training on occupational health and safety	Annual review: People and well-being			See comment above.
403-6	Promotion of worker health	Annual review: People and well-being			See comment above.
403-9	Work-related injuries	Financial review: Board of Directors' Report; Annual review: People and well-being			See comment above.
GRI 404: Training and education					
404-1	Average hours of training per year per employee	Annual review: People and well-being			Gender and employee category not reported. The data covers all countries for e-learning hours, and Finland, Estonia, Latvia and Lithuania for classroom training hours.
GRI 405: Diversity and equal opportunity (2016)					
405-1	Diversity of governance bodies and employees	Financial review: Corporate governance; Annual review: People and well-being			Gender and age reported.
GRI 412: Human rights assessment (2016)					
412-2	Employee training on human rights policies or procedures	Financial review: Board of Directors' Report; Annual review: People and well-being			
GRI 416: Customer health and safety (2016)					
416-1	Assessment of the health and safety impacts of product and service categories	Financial review: Board of Directors' Report			Aggregated figure at Group-level not collected.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Financial review: Board of Directors' Report; Annual review: Sustainability at the core			
GRI 417: Marketing and labelling (2016)					
417-3	Incidents of non-compliance concerning marketing communications	Annual review: Sustainable products and innovations			

GRI STANDARDS DISCLOSURE		LOCATION (2022)	REPORTED FULLY PARTIALLY	COMMENTS (2022)
Fazer's own indicators				
	Plant-based products in offering	Annual review: Sustainability at the core; Fazer lifestyle foods; Sustainable products and innovation		
	Cage-free eggs	Annual review: Sustainable sourcing		
	Responsible fish	Annual review: Sustainable sourcing		
	Responsible palm oil	Annual review: Sustainable sourcing		
	Responsible soy	Annual review: Sustainable sourcing		
	Responsible cocoa	Annual review: Sustainable sourcing		
	Food loss	Annual review: Sustainability performance; Sustainability at the core; Climate and circularity		
	Food technologies	Annual review: Sustainability at the core		



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