



ANNUAL REVIEW

2023



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Enter the culinary (r)evolution

133 years ago, Karl Fazer began our journey by opening his first café in Helsinki. Fazer has grown into a global Food Experience Company. Our history has shown us that innovation is a balance between respecting our roots and embracing forward-thinking creativity. From time-tested confectionery and bakery favourites to innovative lifestyle foods, our dedication to quality, sustainability, and positive societal impact remains unwavering. At Fazer, we merge our storied heritage with the opportunities of tomorrow.



FAZER IN 2023

We have transformed from
an iconic and beloved Finnish
brand to a modern, sustainable
Food Experience Company.



Fazer in brief 2023

We are a leading Nordic fast-moving consumer goods (FMCG) company with a robust position in the sizeable confectionery and bakery categories.

Fazer is dedicated to creating memorable food experiences and moments of delight by combining our rich heritage with innovative and sustainable food experiences. We operate in three distinct Business Areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods, with a product portfolio that spans a broad range of categories, including confectionery, bakery, plant-based drinks and foods, as well as foodtech innovations.

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Fazer is renowned for delivering exceptional taste experiences, maintaining unwavering quality, and bringing joy to consumers.

Fazer is renowned for delivering exceptional taste experiences, maintaining unwavering quality, and bringing joy to consumers. Headquartered in Vantaa, Finland, we employ approximately 6,000 individuals in offices, manufacturing facilities, bakeries, mills, cafés, and shop-in-shop bakeries in eight countries. Finland, Sweden, Estonia, Latvia, Lithuania, Norway, and Denmark are our core markets, and we export our products to over 40 countries worldwide.

Over the decades, we have transformed from an iconic and beloved Finnish brand to a modern, sustainable Food Experience Company with a focused vision and mission: We work **Towards perfect days** by providing **Food with a purpose**.

As the cornerstone of our brand portfolio, the Fazer brand demonstrates the promise

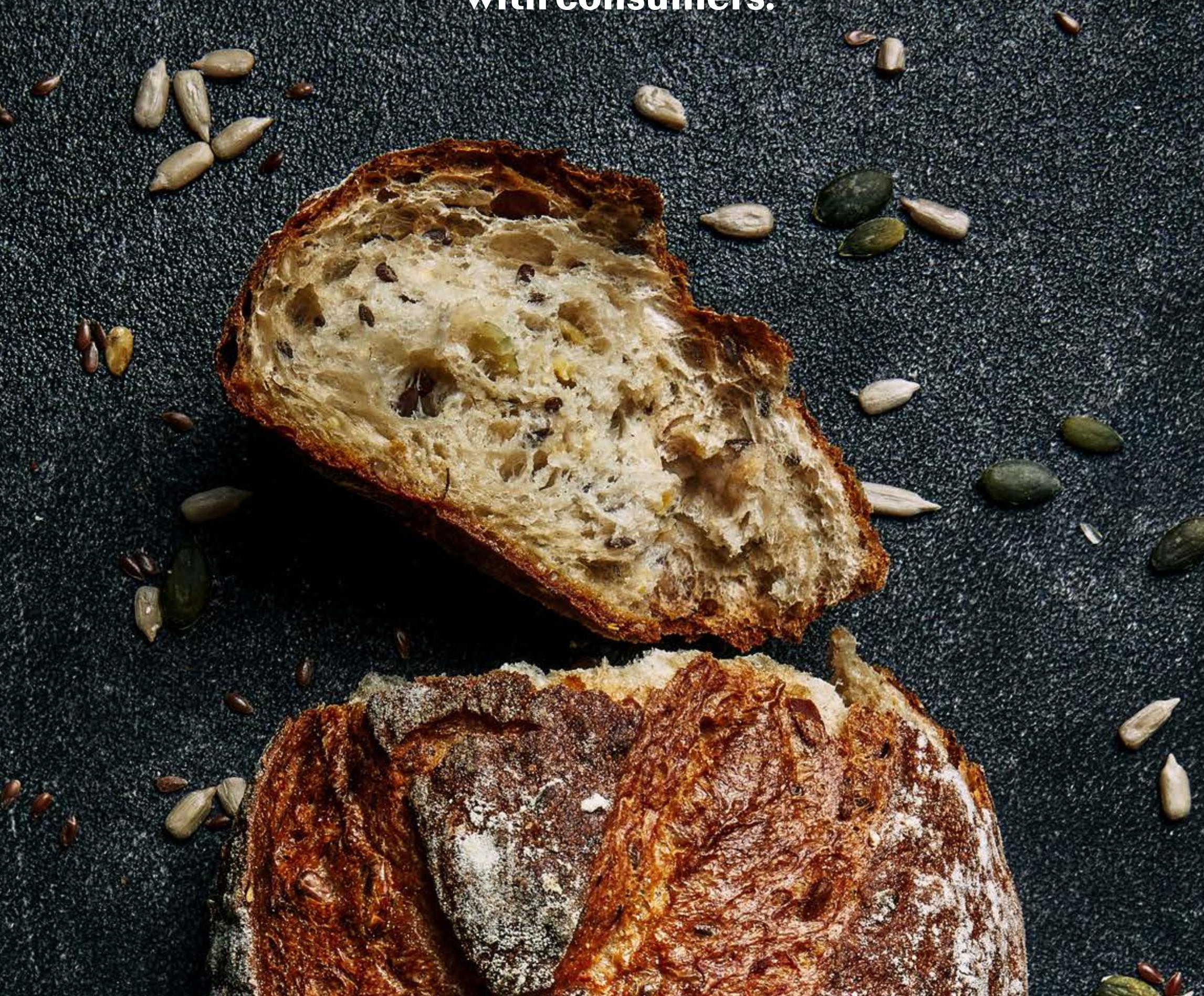


Unwrapping Fazer's 2023 achievements

Fazer reported net sales of EUR

1,170
million

Fazer operates a network of cafés and shop-in-shop bakeries in Finland, Sweden, and Estonia. These channels offer invaluable opportunities for us to cultivate direct brand relationships with consumers.



of “Northern Magic. Made Real.” It encompasses a variety of well-established cross-border, local, and challenger brands venturing into new segments.

Fazer is also a significant player in the Nordic grain milling market, catering to industrial clients with high-quality grain products and value-added solutions. In addition, we operate a network of cafés, bakery and shop-in-shop bakeries in Finland, Sweden, and Estonia. These channels offer invaluable opportunities for us to cultivate direct brand relationships with consumers, especially crucial in a rapidly changing retail environment.

We are uniquely positioned to strengthen our position in the Finnish home market and drive profitable growth while also securing leading positions across various categories in our other core markets in the Nordics and Baltics. Furthermore, we aim to explore untapped European markets.

For the year ending on December 31, 2023, Fazer reported net sales of EUR 1,170 million and a comparable operating result of EUR 66.9 million.



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As the cornerstone of our brand portfolio, the Fazer brand demonstrates the promise of Northern Magic. Made Real.

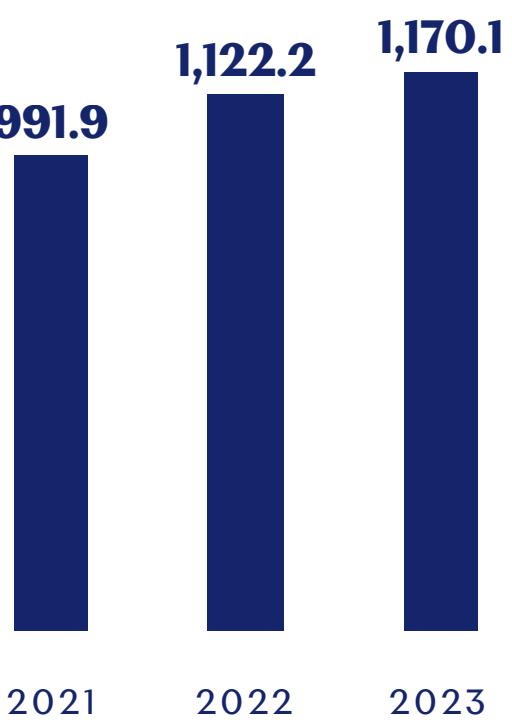
KEY FIGURES 2023

Key figures

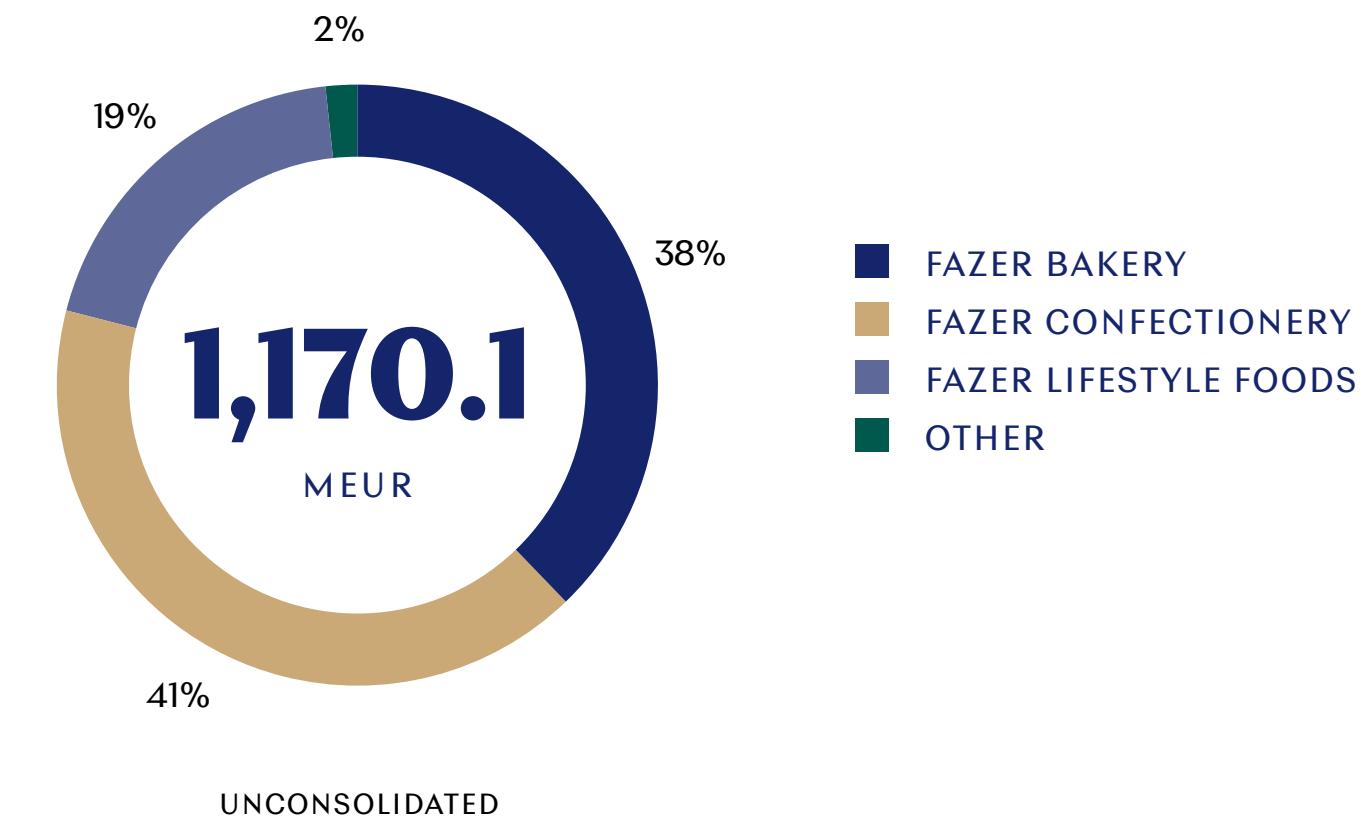
	2023	2022
Group net sales, MEUR	1,170.1	1,122.2
Comparable EBITDA, MEUR	137.2	101.4
Comparable EBITDA margin, %	11.7%	9.0%
EBITDA, MEUR	123.7	109.5
EBITDA margin, %	10.6%	9.8%
Comparable operating result, MEUR	66.9	34.4
Comparable operating result margin, %	5.7%	3.1%
Operating result, MEUR	-80.9	42.6
Operating result margin, %	-6.9%	3.8%
Profit before taxes, MEUR	-85.2	38.2
Profit for the period, MEUR	-86.5	16.2
Personnel, FTE month December*	4,743	4,875
Personnel, avg. FTE*	4,870	4,990
Return on capital employed (ROCE), %	-9.4%	4.4%
Equity ratio, %	64.6%	65.4%
Gearing, %	6.2%	9.9%

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

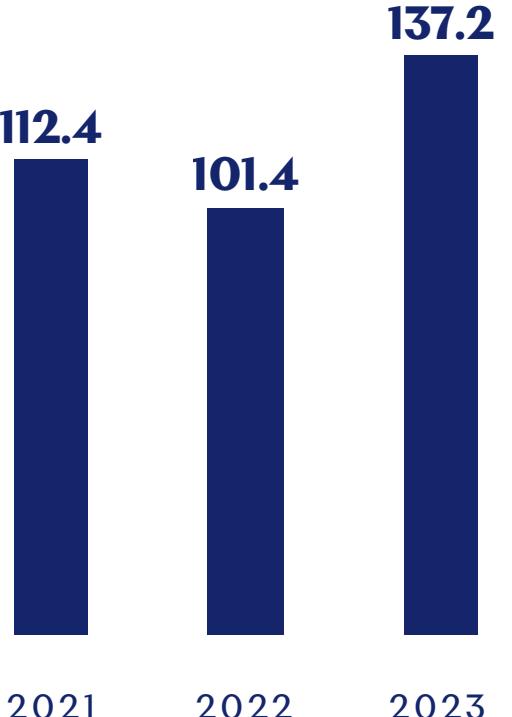
GROUP NET SALES, MEUR



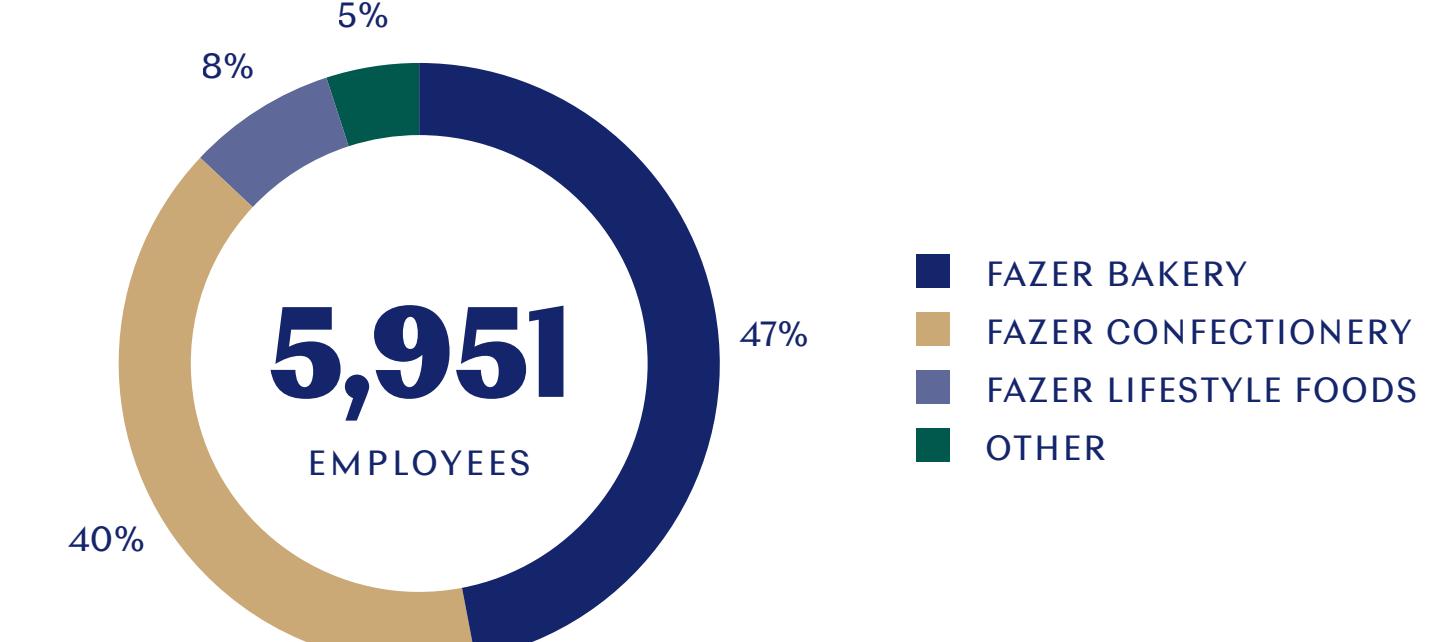
GROUP NET SALES BY BUSINESS AREA, %



GROUP COMPARABLE EBITDA, MEUR



GROUP EMPLOYEES BY BUSINESS AREA*



*PERSONNEL FIGURES PRESENTED AS HEADCOUNTS

Christoph Vitzthum

President and CEO

Fazer's operational performance was good in 2023.

Although we encountered a challenging market defined by price-conscious consumers, increasing private label competition, and raw material and salary inflationary pressures, demand for our products remained high throughout the year and our net sales increased by 4%. I am particularly happy with the developments in Fazer Bakery and Fazer Confectionery which both showed good growth in 2023. Fazer Bakery net sales increased 7% to EUR 462.6 million, and Fazer Confectionery net sales increased 9% to an all-time high EUR 505.0 million. Christmas is the most important season for Fazer, and I am pleased that our seasonal offering including gifts, chocolate pralines and bakery products were well

received by consumers. Fazer Lifestyle Foods net sales decreased by 9% to EUR 237.0 million. The negative sales development was mainly related to dairy sales, a business that we discontinued during the year. Fazer Lifestyle Foods business has also been more severely impacted by rapidly changing consumer preferences and strong competition in 2023.

In 2023, our comparable operating result clearly recovered from the low levels of 2022 reflecting our good operational performance and a good balance between pricing and strict cost management. Our operating result for the year was heavily burdened by items affecting comparability relating to goodwill impairment of Fazer Lifestyle Foods and the



Xylitol factory as well as impairments and write downs of property, plant and equipment due to the structural changes in 2023. During the past years, the plant-based drink capacity in Europe has increased substantially, followed by rapid and unforeseen changes in consumer preferences with price consciousness at its core. This has led to intense competition in the market and private label growth. In order to respond to these rapid changes and to ensure competitiveness, we decided to consolidate the production of our oat drinks and oat-based cooking products from Koria, Finland to our factory in Tingsryd, Sweden.

The ramp-up of our Xylitol factory has taken longer than expected. We started building our Xylitol factory in Lahti in 2019, pioneering an innovation with state-of-the-art technology, with a completely new production process never tested before anywhere in the world, a unique example of a modern circular economy innovation. Adapting such a pioneering innovation into operational production processes has been more challenging than expected. That said, we remain highly committed to developing our xylitol business.

In the spring, we announced our decision to change the scope of the planned confectionery factory, to cover only chocolate production and to continue production of sugar confectionery in Lappeenranta, Finland. The work to prepare the investment decision continues. An investment of this magnitude requires meticulous planning and analysis, and if realised, this would be the biggest investment in Fazer's history.

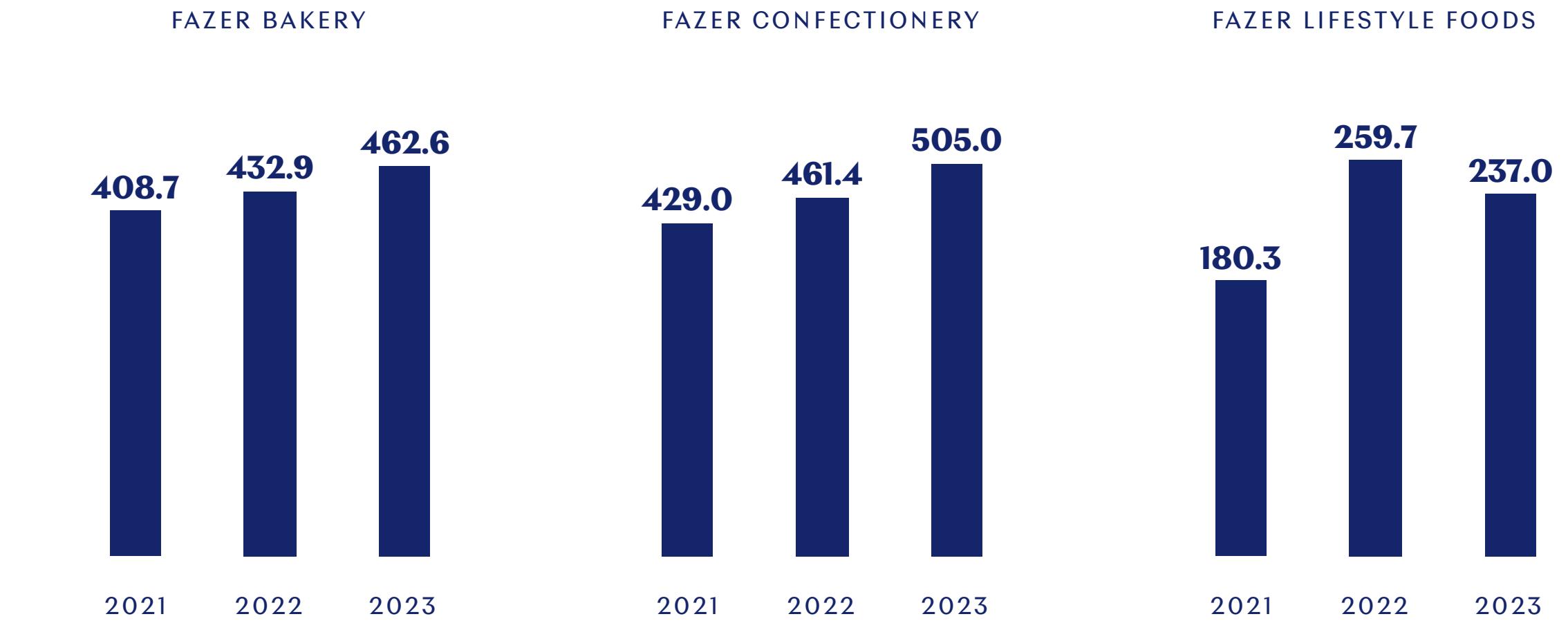
Our consumer-centric strategy remains more relevant than ever, and we continue to invest in our key strategic priorities to ensure our long-term competitiveness. To deliver on evolving consumer expectations, we seek to, at all moments, understand what drives consumption and where we can matter the most. We remain committed to the sustainability of our operations, holding firm to our strategic priorities and sustainability ambitions. During the year we have been able to progress well in the planning and implementation of our actions to reduce emissions in our operations and in the value chain, reduce food loss in production and work closely with our suppliers and other important stakeholders to advance many strategic sustainability topics.

Although inflation is slightly slowing down it is expected to remain at a high level and all our businesses will continue to be impacted by the challenging economic environment and fluctuating raw material prices in 2024. I believe the current economic environment will continue to impact private consumption, reflecting a high level of caution and price

sensitiveness. Thanks to the strength of the Fazer brand and our ability to respond swiftly to rapid changes, I remain confident that Fazer is well equipped for the future.

I want to thank all Fazer employees for their strong contribution to Fazer's good performance, and our customers and other stakeholders for the good cooperation in 2023.

NET SALES BY BUSINESS AREA, MEUR



THE CULINARY (R)EVOLUTION

The ongoing food transition and emerging consumer trends are the central themes of Fazer's strategic approach. In this dynamic environment, shaped by evolving consumer expectations, our commitment lies in proactively anticipating shifts and consistently making a meaningful impact.

Our key strategic themes



Quality
Dependability and consistency amidst a changing environment.

Digitalisation
Freedom and convenience.

Innovation
Continuous improvement and a touch of magic in our products.

Sustainability
Peace of mind and a positive environmental impact.

Fazer's path forward

Consumer-driven growth beyond category boundaries

In a rapidly changing business environment shaped by socio-economic shifts, digitalisation, regulatory changes, emerging trends and consumer behaviour is undergoing a significant transformation. The consumer's path to purchase has become increasingly personalised and complex.

Today, the focus is on taste, diverse consumer needs, and unique consumption occasions, especially among the younger generations.

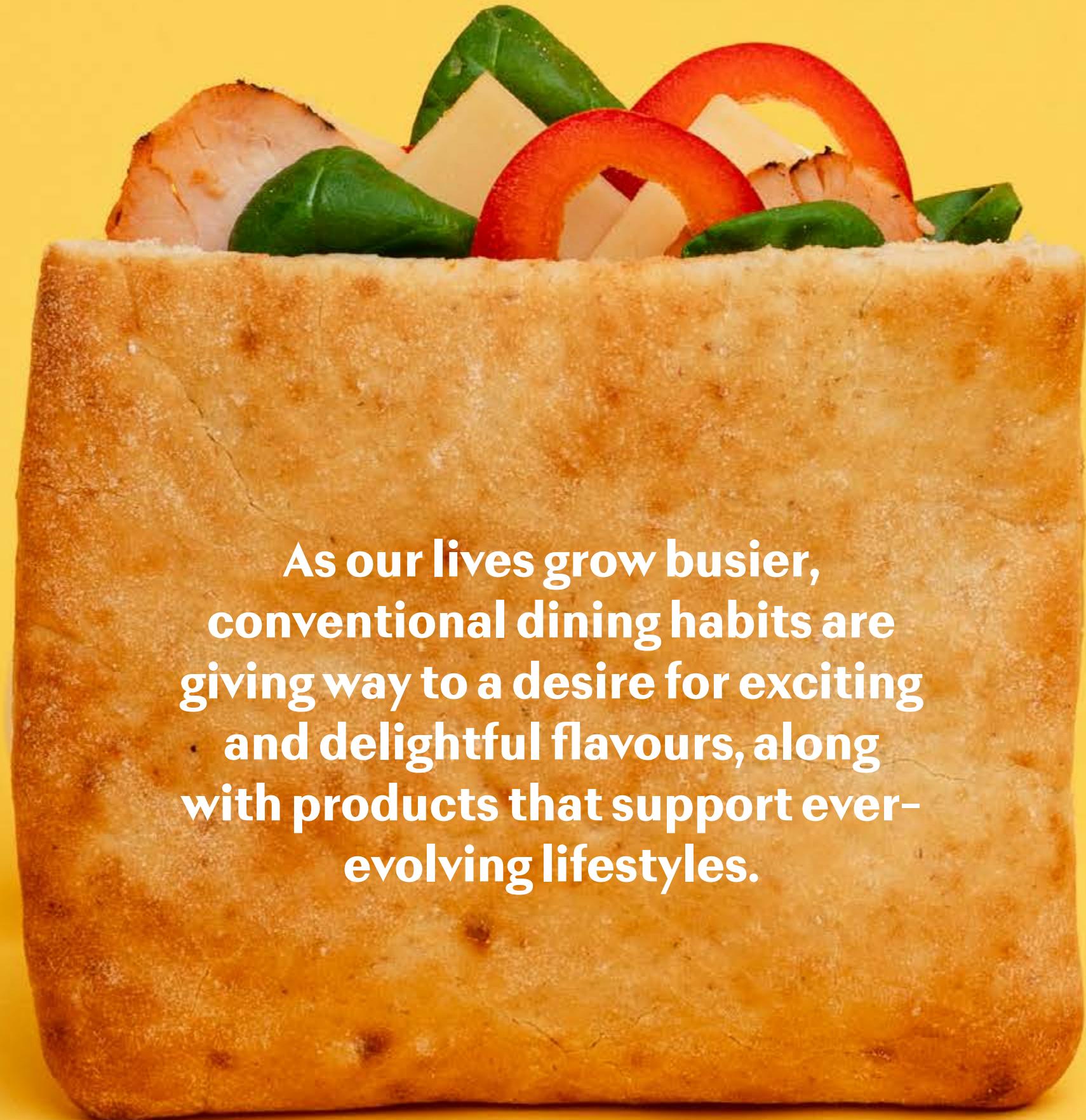
Traditional product categories are being replaced by a more tailored and nuanced decision-making process. As consumers increasingly seek value in their purchases, our unwavering quality and beloved brands across all price tiers are well-positioned to meet their demands.

As our lives grow busier, conventional dining habits are giving way to a desire for exciting and delightful flavours, along with products that support ever-evolving lifestyles. The demand

for unique experiences is driving innovation, urging companies to break free from traditional category boundaries. Fazer, with our esteemed brands and diverse product portfolio, is poised to thrive in this evolving consumer landscape.

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The demand for unique experiences is driving innovation, urging companies to break free from traditional category boundaries.



Our strategic approach, rooted in a profound understanding of consumer needs, empowers us to capitalise on the shift beyond traditional categories, propelling accelerated growth.

Coupled with Fazer's strong brand presence in retail, this establishes a formidable competitive advantage.

Uniquely positioned for growth in the Nordic core markets and further geographical expansion

Fazer proudly holds the position of market leader in the Finnish confectionery sector. At the centre of Fazer Confectionery lies our iconic Karl Fazer Milk Chocolate, beloved by generations of chocolate enthusiasts. This delightful treat, often referred to as "Fazer Blue," is meticulously crafted in our Vantaa, Finland, facility, which produces 13 million Karl Fazer Milk Chocolate tablets annually. We see substantial potential in further strengthening our presence in confectionery, particularly in the field of chocolate, across Nordic markets and beyond.

In the bakery segment, Fazer offers a wide range of baked goods, including Finnish specialties like wholegrain crisp and rye breads,

Swedish cinnamon buns, and Arctic thin breads. Our Bakery business serves over 20 countries, with a strong foothold in Finland, Sweden, and the Baltics, featuring well-established brands such as Oululainen, Skogaholm, Druva, and Gardesis. Beyond traditional bakery products, Fazer consistently innovates and introduces enticing new offerings to complement our existing selection. Fazer is the market leader in the Finnish bakery market and holds the second-largest share in Sweden. Our continuous focus is on expanding our presence in the Swedish bakery market.

In the realm of health-conscious living, Fazer Lifestyle Foods produces a compelling range of plant-based snacks and beverages. The Fazer Aito oat-based products and the breakfast products from Fazer Mills harnesses the goodness of Nordic grains while Froosh smoothies are made solely from fruits and

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Fazer proudly holds the position of market leader in the Finnish confectionery sector.

13 million

Karl Fazer Milk Chocolate tablets are produced annually in our factory in Vantaa, Finland.





In the realm of health-conscious living, Fazer Lifestyle Foods produces a compelling range of plant-based snacks and beverages.

vegetables, without additives. Fazer Lifestyle Foods currently occupies a challenger position in the plant-based market, with ambitions to solidify our presence in the Nordics and expand globally. As one of the largest oat millers in Northern Europe, we also see attractive opportunities to expand this business.

Strategic innovation and M&As elevate growth

Fazer leverages innovation as a key competitive advantage to respond to the ever-evolving needs of consumers and the dynamic landscape of consumer behaviour. Guided by consumer insights and enabled by strong innovation capabilities, we continuously develop and launch new products. As categories merge and evolve, Fazer stands ready to capture early opportunities and drive growth through pioneering innovations.

As the world undergoes a substantial shift in food choices, consumers are increasingly mindful of the impact of their decisions on both their personal well-being and the planet. Sustainability and responsibility have taken a central role in purchasing decisions, with a mounting demand for transparency, especially

among Millennials and Gen-Z. This transition towards health and well-being is driving the development of functional food products. Fazer's innovation and R&D agenda is closely aligned with these trends, ensuring our Group remains at the forefront of this transformation and capitalises on the future of food.

While organic growth remains our primary focus, Fazer is actively pursuing growth through strategic acquisitions. We are seeking profitable opportunities within our existing growth categories, and exploring adjacent categories and geographic expansion through acquisitions, joint ventures, and partnerships. Dedicated to delivering value to our shareholders, our commitment to growth is strong.

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Building scalable growth and efficiency with next-generation production infrastructure

Fazer's Bakery, Confectionery, and Lifestyle Foods businesses operate with a robust and purpose-built production platform, strategically poised to facilitate substantial growth at scale. Additionally, we are planning a groundbreaking investment in a state-of-the-art greenfield chocolate factory. This venture will establish a solid foundation, enabling a considerable leap in flexibility and chocolate-based confectionery production. This investment, supported by robust growth, promises an appealing business proposition with substantial value creation potential through digitalisation, automation, optimised material flows, and significantly enhanced overall efficiency and product development. If realised it will positively impact Fazer's growth, profitability, and net working capital, while enhancing our financial attractiveness.

Sustained focus on efficiency improvement, cost management, and harmonisation

Fazer consistently allocates resources and concentrates on enhancing efficiency by

simplifying structures, streamlining processes, eliminating redundancies, driving productivity improvements, pursuing economies of scale, and reducing overall costs. Recent years have witnessed our successful execution of numerous transformation and profitability improvement programmes, such as the successful turnaround of Fazer Bakery Sweden through a new operating model and reseller partnership. In late 2022, we initiated a transformation programme in Fazer Lifestyle Foods, with clear profitability improvement objectives across business units. These strategic initiatives support Fazer in achieving profitable growth.

Continually working to harmonise work processes and improve efficiency across all divisions and functions, Fazer aligns with evolving consumer preferences and market conditions. Initiatives include the establishment of a unified commercial organisation, "One Fazer," to enhance sales across our core markets. Additionally, the strategic development of Fazer's marketing function promises organic growth, cost savings, and potential for increased operating leverage and cash flow generation.



SUSTAINABILITY AT FAZER

Aligning with our mission of Food with a purpose, our sustainability initiatives focus on Climate and Circularity, Sustainable Products and Innovations, Sustainable Sourcing, and People and Well-being.

SUSTAINABILITY PERFORMANCE

Scope 1 and 2 emissions
(tCO₂e) in 2023

-24%*

Target: 42% less emissions by 2030

Scope 3 emissions
(tCO₂e) in 2023

-5%*

Target: 42% less emissions by 2030

Avoidable food loss
(kg/produced tonne) in 2023

-5%*

Target: 50% less food loss by 2030

The share of plant-based
in offering (SKU) in 2023

45%

Target: More plant-based

Engage our suppliers to set
their own SBTi targets

47%

Target: 53% by spend by 2025

* Change % compared to 2020 baseline

Sustainability at our core

Well over a century ago, Karl Fazer had a mission – to craft Food with a purpose. Today, we continue to share the same vision. We imagine a future where our culinary choices not only delight the senses but also nurture our planet and communities.

Every day, we strive to turn this vision into reality.

We believe that the journey of food starts from the roots – literally. We are dedicated to sourcing our raw materials responsibly, supporting local farmers and communities, and honouring fair trade practices. By forging strong partnerships with suppliers who share our values, we aim to cultivate a sustainable supply chain that not only benefits the environment but also uplifts the lives of those who contribute to it.

Understanding the urgency of addressing climate change, we actively engage in practices that contribute to a healthier planet – from minimising carbon emissions in our value chain and investing in renewable energy to minimising food loss. Circular economy principles guide us to reduce waste and make the most of our raw materials and packaging.

Innovation is the driving force behind our culinary creativity and our passion for developing plant-based and other sustainable products. We want to not only tantalise taste buds but also leave a positive impact. We embrace cutting-edge technologies, reduce the use of plastic and metal in our packaging and create food experiences that align with our ethos.

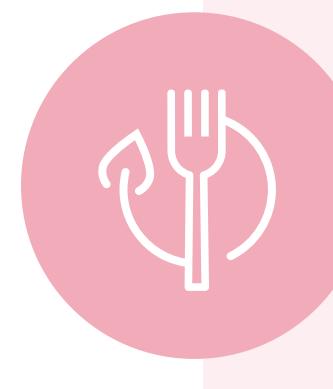
Ultimately, it is people who make it all happen. We prioritise the safety and well-being of our employees, fostering a culture of diversity, equity and inclusivity. By investing in the personal and professional development of our people, we are sowing the seeds for a future where passion and purpose align. All Fazer employees are the stewards of our vision, ensuring that every aspect of our operations is infused with a sense of responsibility and quality.

Sustainability ambitions



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.



Together, we can savour the flavours of innovation, responsibility, and conscious living.

As we embark on this journey towards a sustainable future, we invite all our stakeholders to join us. Together, we can savour the flavours of innovation,

responsibility, and conscious living, creating a legacy that not only celebrates our past but ensures a vibrant and sustainable future for generations to come.

CASE

Connecting performance-based bonuses to food loss reduction

In early 2023, we intensified our focus on cutting food loss by integrating it into employees' performance-based bonuses across all Fazer Group's business areas.

This strategic move, initiated in late 2022, aimed to embed sustainability into every aspect of our operations, positioning Fazer as an industry leader.

Our Board of Directors approved ambitious food loss reduction targets for 2023. Each business unit was engaged

in the process of ensuring clear and motivating targets.

Since early 2023, the new practice has transformed food loss reduction into a central theme in monthly performance reviews, positioning sustainability as an integral part of our day-to-day operations. As a result, our employees actively consider and make suggestions on how to reduce food loss in production processes and finished products.



We are the Food Experience Company

OUR RAW MATERIALS

Our carefully selected **5,600 suppliers** provide us with services and **5,500 ingredients**. Our key raw materials are: grains, cocoa, sugar, and milk.

OUR PEOPLE

Our **6,000 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.

OUR PRODUCTION

Our modern facilities at **17 sites** in Finland, Sweden, Latvia and Lithuania serve global markets.

INNOVATION

For the food of tomorrow through far-reaching research programmes and our very own Fazer Lab.

FAZER
BAKERY
FAZER
CONFECTIONERY
FAZER LIFESTYLE
FOODS

OUR HIGH-QUALITY PRODUCTS AND SERVICES FOR CONSUMERS

We work to always understand and respond to evolving consumer needs and preferences. **45%** of our offering was plant-based in 2023.

OUR ICONIC BRANDS

Our iconic Fazer brand and **80 other brands** create a winning formula for local markets.

OUR CUSTOMER RELATIONSHIPS

We are growing market shares in our core categories together with our customers. In addition to having a strong presence in Northern European markets, we export to **40 countries**.

SUSTAINABILITY
Developing food as a solution for a more sustainable planet and business.

COLLABORATION
With our partners and the research community.

DIGITALISATION
Strong customer relationships and direct access to consumers in multiple channels.

OUR CORPORATE CITIZENSHIP

We contribute to our local communities and in 2023, paid:

748.7 MEUR in supplier purchases

298.5 MEUR in personnel wages and benefits

14.9 MEUR in taxes (public sector)

20.1 MEUR in dividends

4.5 MEUR to financiers (interest and other financial expenses)

0.1 MEUR to communities (donations)

STRONG FINANCIAL POSITION
Strong balance sheet, healthy profitability and cash flow.

Managing our sustainability

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 taking our supply chain, people, production processes, and final outputs in terms of positive impacts on the environment, society, and health into account. At the same time, it draws attention to our approach of balancing sustainability with best practices in 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.

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We are determined to continue developing concrete long-term goals that guide us in integrating continuous sustainability actions throughout our organisation.

We commit to reduce food loss by 2030 by

50%



The year 2023 was characterised by continued challenges related to energy and raw material price volatility, uncertainty, and high interest rates, along with cost and salary inflation. By the end of the year, inflation and interest rates stabilised somewhat. However, challenges related to labour conflicts led to further uncertainty and low visibility in the markets.

Throughout the year, the general market environment was subdued, and markets were driven by campaigns, price consciousness, and strong competition from private labels. This prompted us to initiate several short-term actions to mitigate the impacts of these challenges and adapt to the evolving consumer landscape. Many of these decisions were not easy to make, but necessary in order to safeguard our competitiveness. Continuously monitoring the situation was a top priority for management throughout the year.

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We are actively working on reducing emissions from our operations.

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

Our sustainability ambitions emphasise climate, waste, circular solutions, and fair and responsible sourcing as core considerations in our daily operations. Additionally, they underscore the importance of our employees' safety and well-being.

Highlights of Fazer's sustainability work in 2023

During 2023, we continued to work relentlessly towards our sustainability goals, and the advancements in our key focus areas showcase significant progress.

Within Climate and Circularity, aligning with the Science Based Targets initiative (SBTi), we are actively working on reducing emissions from our operations. In the spring, Fazer's Board of Directors reviewed our updated roadmap to reduce scope 1 and 2 emissions

throughout the Group. Our emission reduction actions include transitioning to green district heating across our major industrial sites in Finland, the electrification of our Bakery ovens in Finland and the Baltics, as well as biomass-based steam production, among others. All our businesses continue to apply energy efficiency enhancements, which contribute to emission reductions as well.

Our commitment to reduce food loss by 50% by 2030 is in motion. Our dedication to this aim is evidenced by our implementation of food loss as a performance-based bonus target across Fazer Group, bolstered by monthly reporting and subsequent analyses at business unit and business area levels. By the end of 2023, all our business areas and units had finalised their food loss reduction roadmaps and prioritised related activities.

Throughout the year, we advanced the process of enhancing our sustainable product portfolio. This involved investing in research and development (R&D), developing new products, conducting tests, introducing them to the market, and ultimately promoting them to gain consumer attention and preference. Embracing the circular economy, we have launched 'Fazer



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We progressed in removing palm oil from our Geisha and Pullava products.

'Upcycled', an R&D programme geared towards extracting value from our production side streams.

Furthermore, we introduced numerous plant-based novelties, and, continuing our commitment to sustainability, progressed in removing palm oil from our Geisha and Pullava products. Several R&D projects are

Under our Cocoa Vision programme, we completed third-party verification and action plans.



underway, exploring innovations such as cellular agriculture for the future of cocoa, sugar replacement options for candy, and plant-based confectionery fillings.

Efforts toward developing more sustainable packaging materials are on-going. A Fazer-wide project focusing on packaging data enhancement now allows better access to information on sustainable packaging. We are also continuing the implementation of unified recycling marks across our product portfolio.

We successfully engaged 47% of our suppliers by spend to commit to the SBTi, in line with our targets for scope 3 emissions. We initiated a project to calculate our forest, land, and agriculture-related (FLAG) emissions, mandated by SBTi for food companies, to set new targets in 2024. Under our Cocoa Vision programme, we completed third-party verification and action plans with SCS Global Services, and established programme reporting with suppliers. During the year, we also published an Animal Welfare policy and made new commitments regarding coffee and meat standards.

A host of initiatives enabled us to advance our People and Well-being ambition in 2023. We also started seeing results from our Fazer

Well-being Framework, introduced in 2022, that comprehensively addresses factors affecting individual well-being at work.

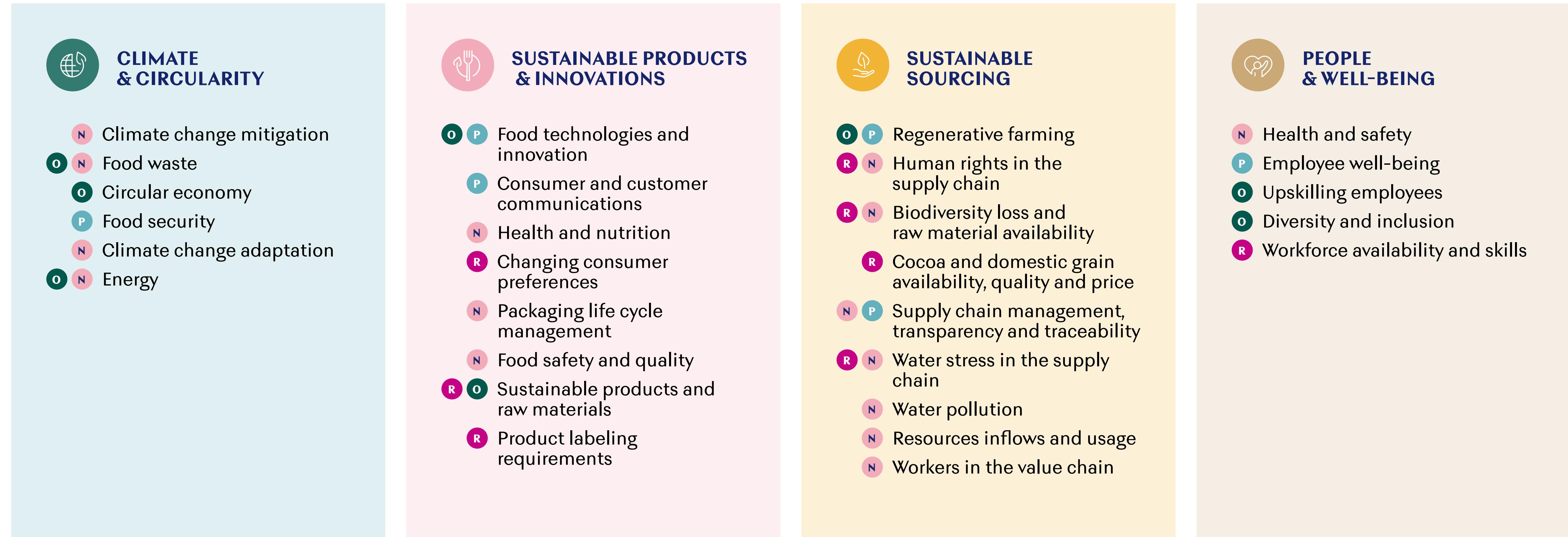
Double materiality assessment to guide our sustainability work

During 2023, we conducted an in-depth double materiality assessment. The materiality assessment not only supports Fazer in determining the scope of the company's future sustainability reporting in compliance with the Corporate Sustainability Reporting Directive (CSRD), but also provides indispensable insights for shaping our sustainability ambitions and company strategy.

Our methodology in conducting the double materiality assessment incorporated detailed analysis of public external databases, interviews with members of our management team and selected external stakeholders such as our customers, partners, and our own employees. The assessment covered all of Fazer's three business areas, and impacts, risks, and opportunities were identified through both direct and indirect business relationships by assessing key sourced raw materials and operations.

Results of the double materiality assessment

Our most relevant sustainability topics



Impact materiality: P Positive impact N Negative impact

Financial materiality: O Opportunity R Risk

Topics scored above threshold ↑

We organised structured workshops on impact and financial materiality with subject matter experts from various functions. They allowed us to prioritise key impacts, risks, and opportunities effectively. All identified topics were scored on various measures including scale, scope, irremediability, and likelihood. In addition, financial implications and the likelihood of occurrence were factored into the scoring of financially material topics. Every topic was scored on the parameters set by the European Sustainability Reporting Standard (ESRS 1) and the quantitative threshold was set to determine reporting materiality.

The double materiality assessment was led by key sustainability experts from all our sustainability ambitions and the outcome was reviewed and approved by the Fazer Leadership Team (FLT).

In summary, our double materiality assessment process enables us to make informed decisions, manage risks, and seize opportunities within our own operations and in the value chain. This approach ensures that our business strategy aligns with our sustainability efforts, delivering value to our stakeholders while respecting and

strengthening the people, communities, and environments on which we depend.

Our double materiality assessment process is on-going, continuously evolving along with changes in sustainability practices and standards. We routinely refine and enhance our assessment to make sure they fit within both the existing landscape of our business operations and the broader context of sustainable business practices.

The assessment confirmed Fazer's main sustainability topics, but also led to some amendments to widen and clarify the topics' scope, specifically regarding biodiversity, water stress in the supply chain, and water pollution.

Managing sustainability at Fazer

Sustainability is integrated into the agenda of Fazer's Board of Directors, and the highest authority in sustainability topics lies with the Board. The Board reviews and approves the company's sustainability ambitions, the Group-level risk assessment including sustainability and climate risks, and Fazer's material sustainability topics and reporting. The Board receives quarterly and bi-annual updates on progress towards sustainability

targets, and regulatory landscape and trends. Even though sustainability matters are integrated into various other topics as part of the Board's regular meeting agenda, they are also discussed at least bi-annually as a separate item. In his role as Environmental, Social, and Governance (ESG) Sponsor, the individual with the highest responsibility for climate-related issues on the Board of directors is the Chairman of the Board. The ESG Sponsor represents the Board in ESG matters and is accountable for ensuring that sustainability efforts are governed effectively and deliver on targets and objectives.

To ensure that the Group's sustainability targets and key priorities are met, the highest authority in operative decision making in sustainability lies with the Fazer Leadership Team.

As a sub set of the FLT, the ESG Steering Group, chaired by the Group's President and CEO, with Business Area (BA) heads, and our Executive Vice President of Communications and Sustainability as members, discusses strategic sustainability topics, and prepares them for decision-making in FLT. The ESG Steering Group also monitors and takes

Sustainability governance

Board of Directors (BoD)

BoD ESG sponsor

Fazer Leadership Team (FLT)

ESG Steering Group

Group Sustainability

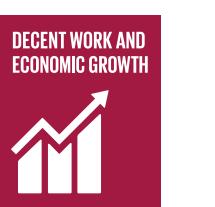


Business Areas and Group functions

Business Units and cross-functional teams

All Fazer employees

Fazer's priority SDGs



actions to comply with upcoming regulatory changes, steers the Group's operative sustainability work, and prepares matters and policies to be approved by the FLT and Board of Directors.

The Board's ESG Sponsor is updated on sustainability related issues covered by the FLT and ESG Steering Group, after each related meeting, and therefore forms the link between the FLT and the Board. The Board is informed about Fazer's sustainability performance through Key Performance Indicators (KPIs) on key targets and ambitions; namely, emissions, food loss, plant-based products, packaging, sustainable sourcing, safety, and diversity, equity and inclusion (DE&I), at least on a quarterly basis.

Fazer Group's continuous sustainability work is managed by the Group sustainability team and the sustainability and Quality, Environmental, Health and Safety (QEHS)

network, which consists of experts from all our businesses. Environmental developments and KPIs are followed up on a quarterly basis in environmental performance reviews with the BA responsible, sustainability team members, and our EVP of Communications and Sustainability.

Fazer's Sustainability Ambitions and focus areas guide the level of our aspirations and collective efforts, while our Sustainability Policy sets out our commitment to operate in a responsible manner, managing 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 Policy; and Supplier Code of Conduct, 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 sustainability team and our sustainability and QEHS experts in our businesses and other relevant business or project teams continuously manage and implement sustainability work. In turn, it is the task of our business areas to implement follow-up actions and monitor their

Fazer Group's sustainability policies and principles





Fazer Group's continuous sustainability work is managed by the Group sustainability team and the sustainability and Quality, Environmental, Health and Safety (QEHS) network, which consists of experts from all our businesses.



Fazer works to ensure the first-rate safety and quality of its products, and all our production sites have food safety management certifications.

outcomes through the designated teams of their 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.

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 unified and structured ways of working. This method develops competences, strengthens risk management, and helps to ensure regulatory compliance. The certification status of all Fazer's operational sites can be found on [page 65](#).

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 uphold consistent

quality. In 2023, there were five product recalls regarding food safety. The product recalls were made due to safety precautions related to defects in allergen labelling or possible presence of contaminants.

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.

During the year, there was one instance of non-compliance concerning marketing communications, which was related to misleading naming of products. We will continue to increase internal awareness of these topics through checklists and training sessions.

Stakeholder engagement highlights in 2023

Fazer participates proactively in initiatives such as the UN Global Compact. We support the work of organisations such as SOS Children's Villages 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 fast-moving consumer goods (FMCG) industry in Sweden.

Memberships and commitments

Fazer is an active member of several associations that 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.

Sustainability key focus areas

Sustainability key focus areas	Ambitions	Sustainability targets	Performance in 2023 (previous year if available)	
CLIMATE & CIRCULARITY		We mitigate climate change and optimise the use of resources through circularity	42% less GHG emissions (scope 1 and 2) by 2030, compared to 2020 baseline 50% less avoidable food loss by 2030, compared to 2020 baseline	-24% (-12%) -5% (-1%*)
SUSTAINABLE PRODUCTS & INNOVATIONS		We innovate for a more sustainable food system	More plant-based (vegan) in offering More plant-based (vegan) in novelties Active on-going long-term R&D projects** All packaging will be sortable for recycling by 2025 Reduced usage of plastic and metal by 2025, compared to 2018 baseline	45% (48%) 37% (48%) 29 (53) 99.8% (99.8%) 377 000 kg/y plastics 18 000 kg/y metal
SUSTAINABLE SOURCING		Our supply chain is fair and sustainable	100% traceable cocoa by 2027 100% signed Supplier Code of Conduct latest by 2030 42% less GHG emissions (scope 3) 2030, compared to 2020 baseline Engage 53% of our suppliers by spend to set their own SBTi targets by 2025	35% (37%) 89% (86%) -5% (5%) 47% (35%)
PEOPLE & WELL-BEING		We provide opportunities for growth in a modern, safe, and inclusive culture	Long-term target: Zero Lost time Accidents (LTAF) Year-on-year improvement of employee well-being measured in the employee engagement survey Year-on-year improvement in Employee Inclusion experience in the employee engagement survey	5.1 (4.1) 69.0 (66.6) 82% (82%)

* 2022 data has been restated

** Long-term R&D projects in addition to new product development programmes that contribute to sustainability ambitions.

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 with 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, our intranet and other internal channels, and discussions with 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, Annual Review, regular reports, information meetings, other regular events such as the summer meeting and 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 in areas such as 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 and events	We create value for society and engage in active dialogue. We are members of and have partnerships with various organisations and support numerous non-profit organisations. We believe in open and transparent communication.
Universities, research institutes and 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 collaborations with universities and start-ups, we expand our own expertise and improve our capabilities to introduce sustainable innovations with social significance.

Memberships and initiatives

Fazer is an active member of 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 of key sustainability associations on the sustainability of raw materials: Roundtable on Sustainable Palm Oil, Round Table on Responsible Soy Association, and the World Cocoa Foundation
- Several sustainability initiatives in Sweden, such as the DLF Plastic initiatives 2025 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, and Stockholm School of Economics, Sweden

Climate and Circularity

Sustainable production is crucial for averting climate change

We are committed to making a meaningful impact by systematically implementing measures to lessen the environmental footprint of food production.

The global food system and its emissions contribute significantly to climate change, which in turn affects the availability, accessibility, and cost of the raw materials we use in our products. We at Fazer are committed to reducing climate emissions from our own operations and throughout our value chain, as well as other emissions in water and on land. By actively confronting the climate crisis, we aim not only to safeguard the environment but also to secure the long-term sustainability and continuity of our business.

In 2023, we developed a solid plan and achieved good progress in mitigating our direct emissions as well as those resulting from our

purchased energy, also known as scope 1 and 2 emissions. We also invested in technologies that effectively reduce our scope 1 and 2 emissions.

Through these latest investments, we aim to lower Fazer's CO₂ emissions, stabilise our heating costs, and optimise our energy portfolio. All in all, we are actively pursuing a well-defined strategy to achieve our goal of reducing scope 1 and 2 emissions by 42% from our 2020 baseline by 2030.

Managing our scope 3 emissions requires collaboration with our suppliers on a broader scale. With the help of discussions with suppliers on key raw material categories, we enhanced data accuracy regarding emissions in



our supply chain. These may reveal previously overlooked factors, potentially increasing our carbon footprint figure for a more accurate representation of our environmental impact.

Furthermore, in 2023, we began calculating our Forest, Land and Agriculture (FLAG) emissions using updated guidance from SBTi to separate land-related emissions from those which are generated from energy or industry. We intend to submit an application to SBTi with our new targets in 2024.

In short, we will be developing our target setting using our baseline emissions, which will require revalidation and recalculation during the year in light of the results and the newly incorporated FLAG emissions data. We are currently defining a process for approving supplier-specific and otherwise more accurate emission factors and have received carbon footprint calculations for a number of our raw materials, including milk and cocoa.

Decreasing our emissions and mitigating climate change

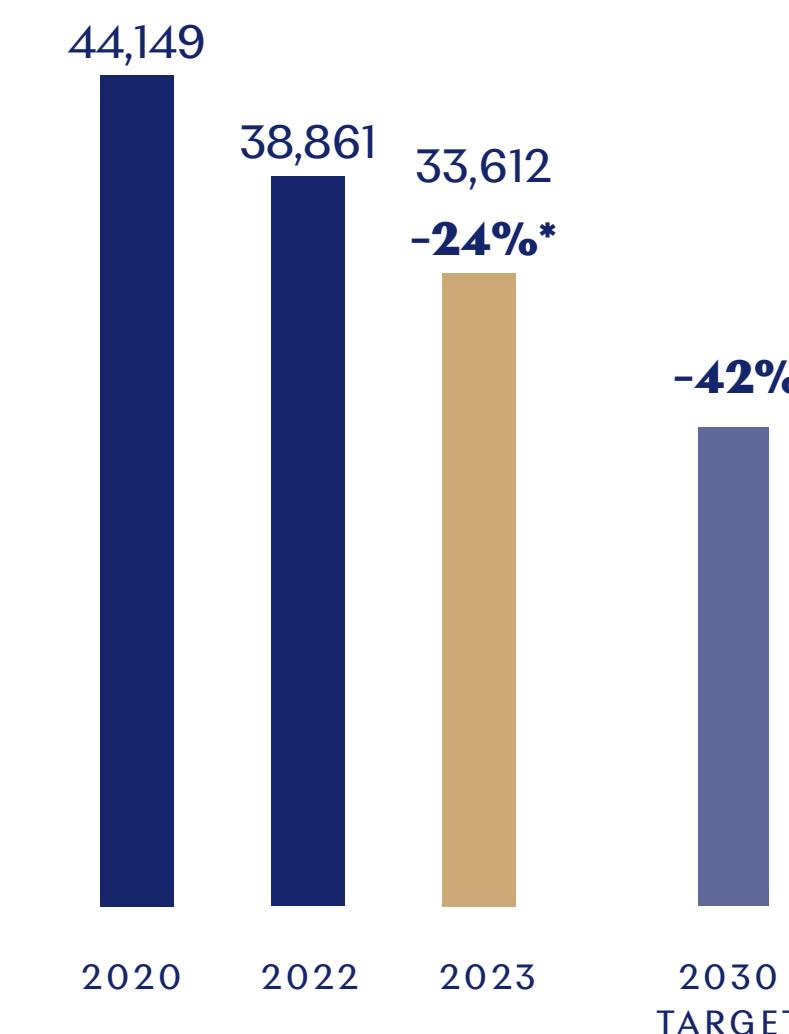
Fazer's total emissions (scope 1, 2 and 3) amounted to 653 853 tCO₂e (725 076 tCO₂e), decreasing 10% compared to the previous year

and by 6% compared to the baseline year 2020. The emissions from our operations (scope 1 and 2) decreased by 14% compared to 2022 and by 24% compared to the baseline 2020. The decrease is mainly attributable to transferring to green district heating in all major industrial sites in Finland, a new efficient portion bread line in Vantaa Bakery as well as the higher share of bio-based steam in Lahti, Finland.

As an organisation, we use several means to alleviate the impact of our operations on the climate. All the electricity we purchase at Fazer comes from 100% fossil-free sources. In addition, greenhouse gas (GHG) emission reductions are a critical aspect of our Group Energy Framework updated in 2022, which guides the planning and financing of our investments in production and energy infrastructure.

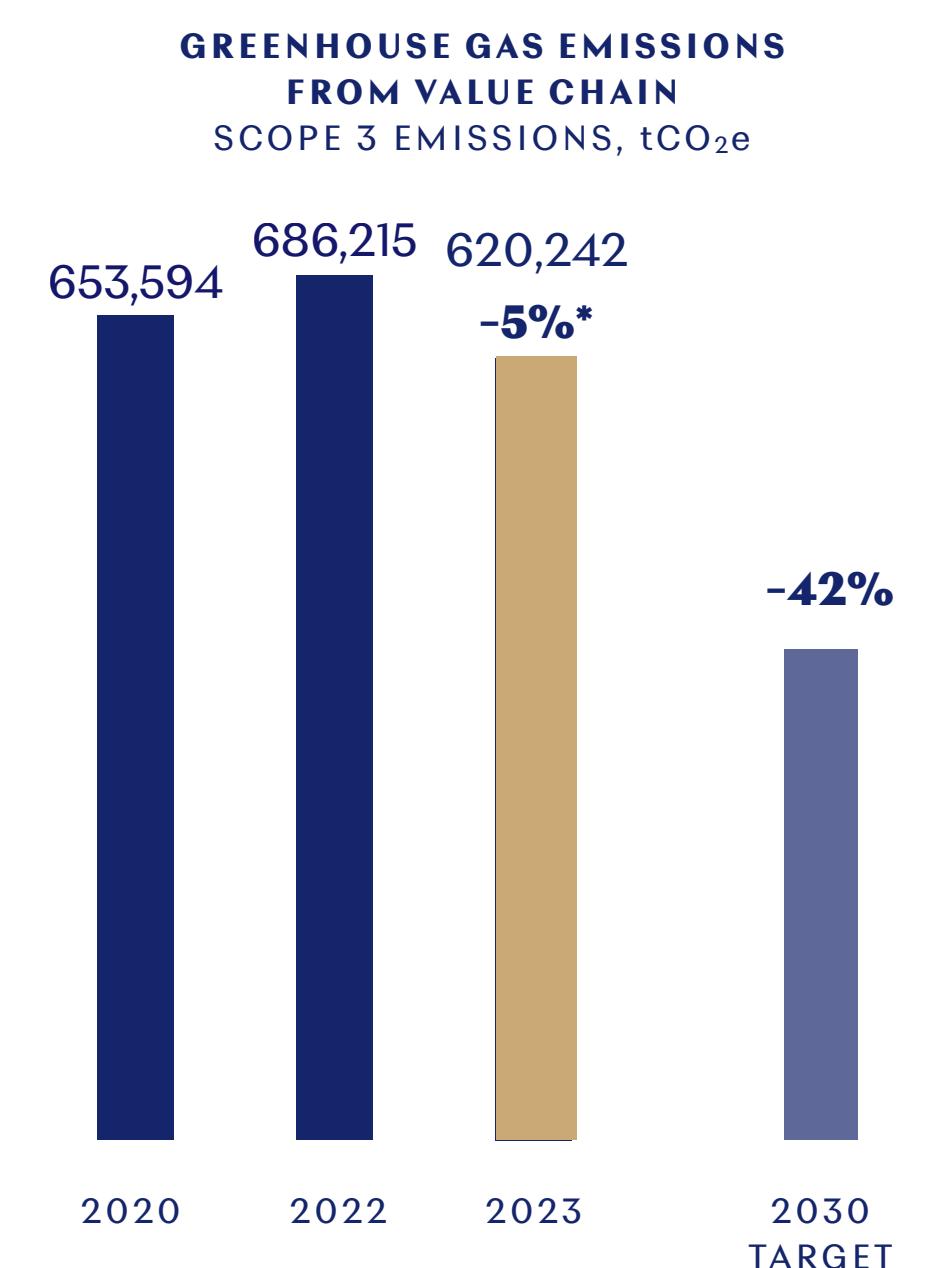
We aim to power our Bakery operations with fossil-free electricity, aligning with shifts in the global energy markets. We have also taken additional steps to increase heat recovery and improve ventilation at our production sites. Furthermore, our investment in bio-heating facilities at our Lahti site takes advantage of the side stream of our xylitol production.

GREENHOUSE GAS EMISSIONS FROM OWN OPERATIONS
SCOPE 1 AND 2 EMISSIONS, tCO₂e



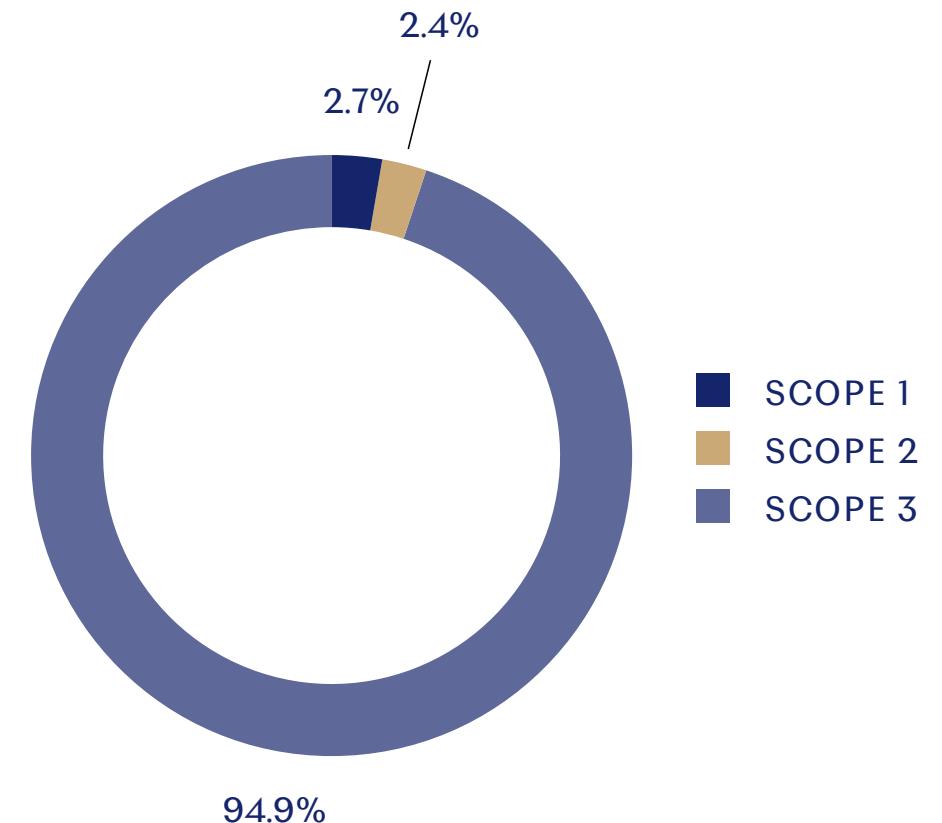
*CHANGE % COMPARED TO 2020 BASELINE

GREENHOUSE GAS EMISSIONS FROM VALUE CHAIN
SCOPE 3 EMISSIONS, tCO₂e



*CHANGE % COMPARED TO 2020 BASELINE

GREENHOUSE GAS EMISSIONS BY SCOPE, %



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The emissions from our operations (scope 1 and 2) decreased by 24% from the baseline 2020.

Our state-of-the-art portion bread line in Vantaa enhances our production's energy efficiency, elevating the manufacturing capacity, flexibility, and profitability of our Vantaa bakery. In 2023, the new bread line reduced CO₂ emissions by approximately 12% while yielding nearly double the volume of bread compared to the previous one.

In July 2023, Fazer took a first step to reduce emissions in the logistics of Fazer Bakery Finland by initiating emission-free freight transport using the country's first electric lorry. The emission-free semitrailer combination lorry transports freshly baked rye bread from the Fazer bakery in Lahti to the Vantaa distribution centre. Compared to the emissions of a diesel lorry, the electric lorry reduces the CO₂ emissions of Fazer Bakery Finland by approximately 23,000 kg every year.

We will introduce more electric lorries on routes to increase the share of emission-free transport when possible. In addition to utilising biogas lorries, we regularly estimate and measure the CO₂ footprint of our bakery deliveries.

Besides reducing our emissions in relevant purchasing categories such as transport and

CASE

Fazer is well on track to cut 42% of its greenhouse gas emissions by 2030

Fazer has a solid strategy in place and is making good progress to attain its target of cutting its scope 1 and 2 emissions by 42% from the 2020 baseline by 2030.

Fazer's ambitious emission reduction targets include taking measures in its own operations and value chain. The company's targets, approved by the Science-Based Targets initiative (SBTi), place Fazer at the forefront of international companies combating climate change. They align with the Paris Agreement targets to limit global warming to 1.5°C.

Switching to emission-free energy sources and green district heating

In 2023, we replaced fossil natural gas with CO₂-free district heating at our Vantaa, Lahti

and Lappeenranta sites. Linking up with the district heating networks of regional operators holds the potential for substantial energy cost savings depending on the location. The CO₂ impact of the project is 767 tCO₂ or about 7,0% of Fazer Bakery Finland emissions, and the full benefits will be seen in 2024.

Electric boilers will replace oil boilers in Eskilstuna

At our largest bakery in Sweden, we are replacing oil boilers with two electric boilers to generate steam for production. Utilising electricity as their energy source, the new boilers are more energy efficient than their predecessors. This strategic investment will result in a substantial reduction of 670 CO₂e per year in our scope 1 and 2 emissions starting in 2024. This significant improvement contributes to a reduction of over 40% in Fazer Bakery Sweden's overall emissions.

Three on-site solar parks to contribute to Fazer's green energy production

Fazer aims to develop its own energy portfolio to contribute to cleaner energy production

within its own operations. We began constructing three onsite solar parks: two in Vantaa and a third at our gluten-free bakery in Lahti. With an estimated yearly electricity production of 1,110 MWh, these solar energy systems will be taken into use in 2024. The systems will produce electricity equivalent to about 1% of Fazer's total electricity consumption.

Unique biopower plant built as part of Fazer's xylitol factory

In 2023, the on-site power plant ramped up its operations to provide 65-70% of the steam and heat used by all the facilities at Fazer's Lahti site, namely our Xylitol, Fazer Bakery, Mill, and Crisp factories. The plant utilises a by-product from the xylitol manufacturing process as fuel, generating steam for production and heating. Operational since 2021, the power plant contributes to a CO₂ impact of 3,200 tCO₂, corresponding to approximately 6.5% of Fazer's emissions.

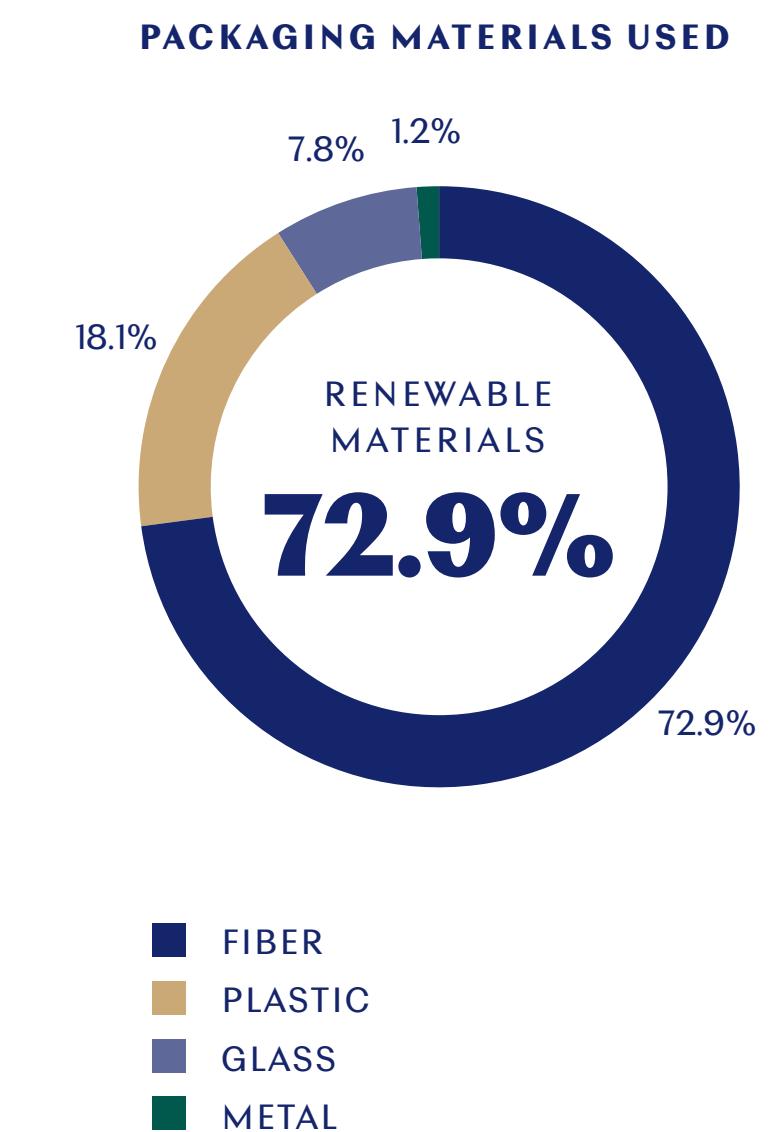
distribution, our robust foodtech agenda supports us in developing new solutions for producing plant-based proteins and valorising production side streams. In line with our packaging vision, we have worked diligently to ensure that the packaging materials we use are better recyclable.

Collaborating with our suppliers to reduce emissions

As 95% of our total emissions come from our supply chain, it is crucial that we further strengthen the work we do with our suppliers. At the end of 2023, 47% of Fazer's suppliers by spend had committed to set Science-Based Targets for emission reduction, a significant stride towards our target of 53% by 2025.

To support emission reductions in our supply chain, we scrutinised the accuracy of our data and made enhancements based on insights gathered from discussions with our suppliers. We specifically focused on critical raw material categories that demand our close attention.

We consistently work to refine our data by using more accurate emission factors or modifying the methodology of calculation to better suit the materials in question.



Consequently, our carbon footprint figure might increase or decrease, reflecting a more precise depiction of our actual environmental impact.

Reducing food loss and waste

Fazer has pledged to reduce its avoidable food loss by 50% by the year 2030 from the 2020 baseline. We maintain an unwavering commitment to this goal and have set and pursued long-term targets for cutting down

Raw materials and water withdrawal

	2023	2022	2021
Used raw materials (tonne)	502,811	541,395	531,465
Raw materials intensity (tonnes/produced tonne)	1.12	1.10	0.96
Water withdrawal* (m³)	1,036,049	1,127,662	1,159,046
Water withdrawal intensity (m³/produced tonne)	2.30	2.30	2.09
Water consumption (m³)	209,433	259,469	272,136
Water discharge (m³)	793,918	843,774	875,913

Food loss and waste fractions

Tonnes	2023	2022	2021
Used directly as animal feed	3,452	5,546	6,577
Side streams to energy production	37,129	50,658	52,505
Side streams directed to animal feed production	44,068	51,725	37,116
Other use, e.g. composted biowaste	3,127	2,090	2,325
Landfill*	295	317	366
Total side streams in production	87,776	110,019	98,523
Recycled waste	5,195	4,656	5,908
Incinerated waste with energy recovery	1,778	2,088	2,561
Total non-hazardous waste	7,268	7,061	8,835
Incinerated, with energy recovery	19	88	66
Incinerated, without energy recovery	1	7	29
Hazardous waste to landfill and other use	32	14	9
Total hazardous waste	52	110	105
Total side streams and waste from Fazer's operations	95,096	117,189	107,463
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Avoidable food loss / production volumes (kg / produced tonne)**	107	112***	111
Food donations***	552	621	20

* Can also include waste streams other 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

**** The data for 2022 has been restated

In 2023, we renewed the Fazer Aito brand and decided to consolidate all oat drink production to our factory in Tingsryd.



waste in our operations since 2015. In 2023, we achieved a 5% reduction in avoidable food loss compared to the previous year and a 5% decrease compared to the 2020 baseline. The good development is the result of an increased focus on the day-to-day management of food loss reduction activities across all businesses.

In 2023, Fazer's Board of Directors and top management designated food loss as a focus for performance-based bonuses and approved targets for the year. Subsequently, all our businesses actively engaged in the review process to define the targets.

Food loss and waste contribute to greenhouse gas emissions throughout the entire supply chain, including production, transportation, and disposal. Reducing food loss is therefore a significant way to reduce our scope 3 emissions.

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Promoting material efficiency and circularity supports our commitment to reduce our environmental impact, decrease costs, and enhance our profitability.

Promoting material efficiency and circularity supports our commitment to reduce our environmental impact, decrease costs, and enhance our profitability. In our production activities in Finland, okara, which is the side stream from oat drink production, as well as dough waste from our bakeries continued to be our most significant sources of food loss by volume in 2023.

SGen, an upcycled Nordic oat protein based on dried okara, is a next generation performance booster introduced by Fazer Mills as a functional oat ingredient for the B2B markets during the year. SGen was developed to meet the expectations of conscious consumers for high-quality, sustainable, and great tasting circular ingredients with additional health benefits. The new product was launched at the Food ingredients Europe fair in November 2023.

At our Vantaa Bakery, scrap reduction workshops conducted in 2022 and 2023 contributed to a 33% reduction in scrap from our doughnut line compared to 2021, resulting in the saving of 30 tonnes of food loss each year.

Our Lahti Bakery, which had previously produced a high volume of scrap, also made significant progress as a result of continuous improvements based on food waste data on the production line and product levels. The bakery managed to reduce its scrap volumes by 13.5% over an 11-month period, resulting in 140 tonnes less food wasted annually.

During the year, Fazer Bakery in Sweden took great strides in reducing food loss by setting daily focus areas and targets, as well as finding new and more efficient ways to sell excess production. In Confectionery, we improved efficiency in milk processing, leading to significant savings in food loss. In Fazer Lifestyle Foods, Mills Finland improved their performance in minimising avoidable food loss by optimising demand planning, thus reducing best-before-date food loss. Similar actions were conducted at the warehouses of Froosh smoothies.

To halve food loss by 2030, we have defined a set of actions and follow-up initiatives by different functions:

- Continuous improvement in the supply chain supported by more accurate production line level data.

- Portfolio reviews to understand the impact of small, high relative food loss products on total food loss.
- Investments in more efficient production, such as the new chocolate factory on a large scale, but also smaller investments in other facilities.



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Makea Moka bags contain sweets in unusual shapes and colours that were otherwise perfectly good.

Direct greenhouse gas emissions (scope 1)

CO ₂ e tonnes	2023	2022	2021
Fuels combusted for generation of electricity, heat, or steam	15,770	16,948	19,878
Fuels combusted for transportation of materials, products, waste, and leased vehicles	906	751	1,606
Fugitive emissions of cooling agents	955	1,147	1,483
Total scope 1 emissions	17,631	18,846	22,967
Biogenic emissions from fuel combustion	2,053	2,197	3,945

Indirect greenhouse gas emissions from purchased energy (scope 2)

CO ₂ e tonnes	2023	2022	2021
Electricity	858	891	0
Steam	13,176	14,347	14,461
District heating	1,948	4,776	5,081
Total scope 2 emissions (market-based)	15,981	20,015	19,542
Total scope 2 emissions (location-based)	23,582	25,301	33,271

Indirect greenhouse gas emissions in value chain (scope 3)

CO ₂ e tonnes	2023	2022	2021
Purchased goods and services, e.g. food raw materials and packaging	547,751	608,268	605,198
Capital goods, such as investments in production facilities and machinery	21,522	22,835	20,615
Fuel and energy related activities (not reported in scope 1 and 2)	1,866	1,982	8,269
Upstream transportation and distribution	18,654	21,818	19,729
Waste generated in operations	474	532	397
Business travel	411	343	65
Employee commuting	6,756	7,078	7,008
Downstream transportation and distribution	17,046	17,957	20,463
End-of-life treatment of sold products	5,761	5,401	4,188
Total scope 3 emissions	620,242	686,215	685,933



As part of wider efforts to prevent packaging material loss, our Confectionery production in Vantaa has improved plastic recycling by 85% in 2023 compared to 2022.



At our production sites at Koria and Tingsryd, we operate our own wastewater treatment plants.

- Circularity investments to reuse food loss internally or create new types of products for consumers, either by Fazer, such as Makea Moka, or by our partners. The Fazer Upcycled programme led by Fazer Lab will support this work.
- Establishing new ways to sell or donate edible products to consumers.

Fazer Upcycled programme received funding from Business Finland

In March 2023 Fazer received funding from Business Finland for Fazer Upcycled, an R&D programme to find new ways to upcycle food streams and surplus materials. The three-year programme aims to accelerate innovation by proactively developing sustainable ingredients for the food industry based on upcycled side-streams. It seeks to pilot and advance completely new prototypes of different solutions, which could then be developed further into sustainable consumer products.

Another important goal for Fazer Upcycled is to promote Fazer's entry into non-food markets, such as personal care, as well as strengthen internationalisation and export efforts, especially in B2B functional ingredients.

Priorities of the Material Efficiency Commitment 2022–2026

Progress in 2023

Establish a monitoring system to track the quantity of food loss and work towards a 50% reduction in food loss by 2030.

Food loss reduction designated as a target for performance-based bonuses.

Direct edible food loss to food aid.

Fazer continues donating products to food aid through Matmissionen, Helsinki Missio, Veikko and Lahja Hursti's Charitable Association, Turun Ruokakassi, Yhteinen pöytä and Ruokanysse, among other organisations.

Reduce plastic and other packaging material in product packaging throughout Fazer Group.

377,000 kg on an annual basis, approximately 12.6% (2018-H1/2023).

Communicate actively about our actions and achievements on material efficiency measures.

Blog posts published on partners' websites such as Luke (The Natural Resources Institute Finland) and the National Food Waste Forum, coordinated by The Consumers' Union of Finland.

Conduct a material audit for one or more of our production sites.

Completed at Fazer Bakeries in Finland.

Introduce new packaging solutions to reduce plastic.

Fazer's award-winning packaging for Fazer Oat Rice Pasties, in collaboration with UPM

Collaborate with universities, research institutes and start-ups

We are an active participant in research consortiums and ecosystems that bring together actors in the food industry and beyond.

All the above priorities are closely aligned with Fazer's ongoing material efficiency and food loss reduction efforts as well as our sustainable packaging vision.

Material Efficiency Commitment

To fulfil requirements related to reducing food waste and optimising material efficiency, Fazer 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.

The most important aspects of Fazer's work related to the Material Efficiency Commitment are presented in the table on [page 35](#).

Reducing waste from production and other operations

As part of wider efforts to prevent packaging material loss, our Confectionery production in Vantaa has improved plastic recycling by 85% in 2023 compared to 2022. We attained this reduction by increasing efficiency in the

collection and recycling of cling film and clear plastics from our production. Through this improvement, we decreased the volume of our energy waste by 25%.

Other notable waste reduction efforts in 2023 include enhanced waste sorting solutions built at our headquarters as well as in the offices of our Confectionery business in Finland.

Fazer has a number of ongoing R&D efforts that focus on circular economy and the utilisation of side streams from production.

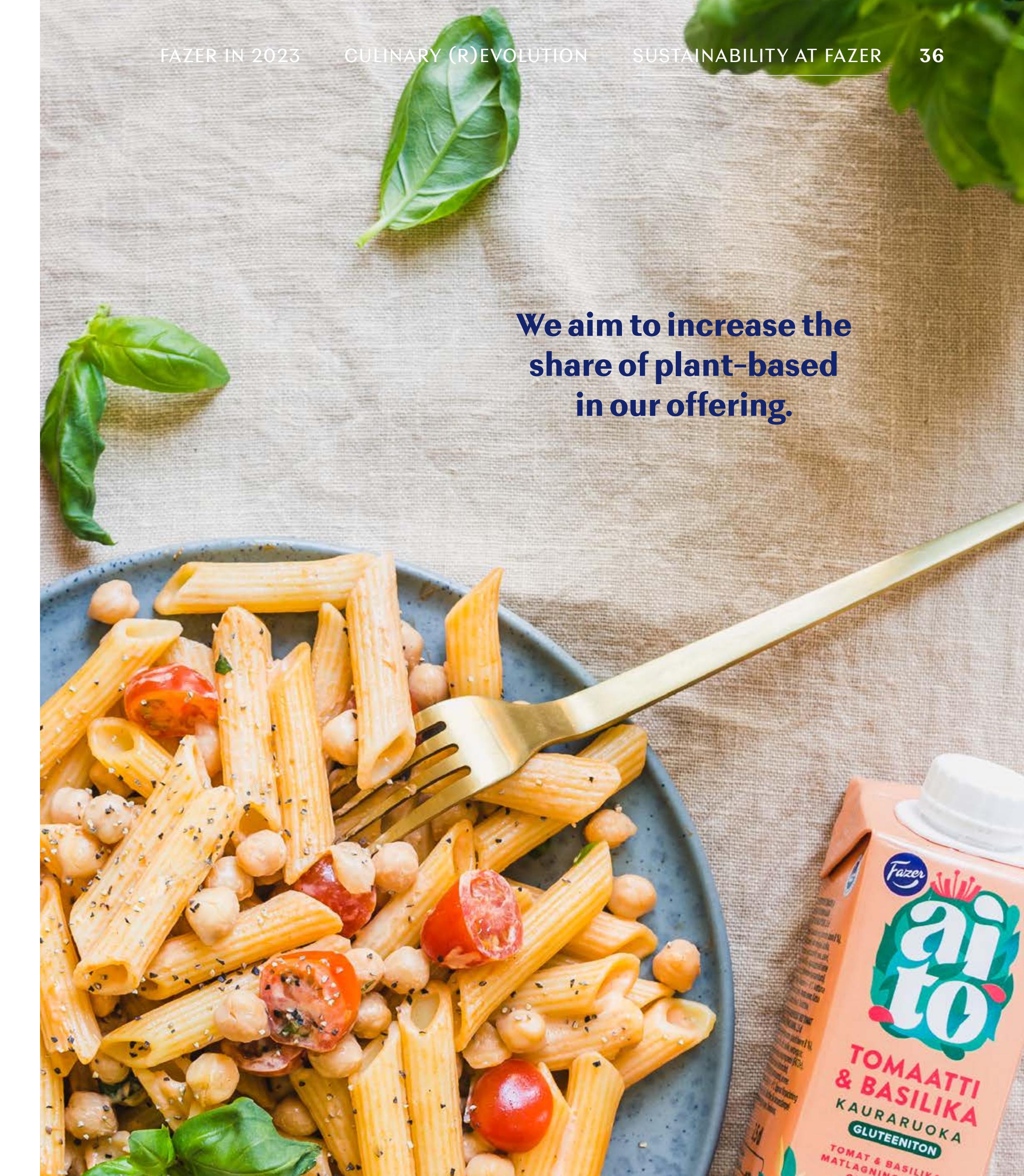
Managing our water consumption

In 2023, water consumption remained at the previous year's level, taking into account the reduced production volumes. In 2023, water use decreased by 8% and wastewater volume by 6% compared to 2022. At the production plant level, our bakery in Vantaa improved its operations and managed to reduce water use by 9.5%.

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 the ISO 14001 Environmental Management System.

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Fazer has a number of on-going R&D efforts that focus on circular economy and the utilisation of side streams from production.



We aim to increase the share of plant-based in our offering.

Water is needed in several areas of our supply chain, but primarily in agriculture in order to produce our raw materials. 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 upholding 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. At

our production sites at Koria and Tingsryd, we operate our own wastewater treatment plants.

Fazer generally separates fat from wastewater before sending it to the municipal sewage system. In addition, we perform pH adjustments in our Lahti facility and pre-treatment with flotation in Koria. We recognise that treating wastewater can also bring economic benefits in addition to environmental ones.

Fazer is committed to preparing a water stewardship plan that further specifies our goals and the corresponding measures related to water consumption, wastewater, 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.



Greenhouse gas emission intensity

CO ₂ e tonne/produced ton	2023	2022	2021
Scope 1	0.04	0.04	0.04
Scope 2	0.04	0.04	0.04
Scope 3	1.38	1.40	1.24
Total emissions intensity	1.45	1.48	1.31

Fuel combustion and energy consumption

MWh	2023	2022	2021
Oil	6,484	9,854	8,361
Natural gas	64,948	72,429	88,410
Diesel	9,500	1,004	9,500
Petrol	1,483	790	1,483
Total non-renewable fuels	82,415	84,077	107,755
Wood pellets	5,573	6,108	5,275
Biodiesel	6,250	188	6,250
Biogas	14,862	22,680	21,864
Total renewable fuels	26,685	28,976	33,389
Renewable electricity	206,589	214,755	210,100
Non-renewable electricity			
Purchased steam	73,501	76,810	68,555
District heating	41,622	42,120	47,253
Compressed air	944	901	889
Total purchased electricity	206,589	214,755	210,100
Total energy consumption	431,756	447,639	467,939
Total energy intensity (MWh/produced tonne)	0.96	0.91	0.84

Sustainable Products and Innovations

Enabling consumers to adopt plant-based diets

Fazer is deeply committed to developing tasty and sustainable food that empowers consumers to embrace plant-based lifestyles without compromises.

Innovation remains at the forefront of our endeavours in fighting climate change. We continually collaborate with our customers and consumers, engaging them in our exploration of alternative food solutions that could reshape the market.

We firmly believe that by taking up the challenge of developing and innovating food solutions, we can empower consumers to make more environmentally and socially responsible choices. Our on-going efforts reflect our commitment to the well-being of both people

and the planet, an ethos that is ingrained in our heritage as well as in our future.

As a result of the combined efforts of our businesses, Fazer gained acclaim as the most reputable company in Finland in 2023. In addition to being the only company among the top ten that improved its reputation from the previous year, Fazer scored high in the aspect of innovation. All the same, Fazer's principle is that taste comes first. As a manufacturer of plant-based food, it is essential for us to create products that not only meet consumers'



expectations for taste and texture but also ignite their curiosity for new food experiences.

Shifting consumption towards plant-based and other sustainable foods not only reduces the pressure on the climate and nature but can also contribute to improved human health. By making long-term investments in research and development, foodtech, and our expertise in sustainable food, we can further strengthen Fazer's standing in the food transition.

Fazer Lab innovates to meet emerging consumer needs

Food choices and production methods have a significant impact on the climate, and according to research from Innova Market Insights 2023, consumers increasingly expect companies to drive change. Moreover, many expect the food industry to help find solutions to the issues of food availability that are expected to intensify in the future.

As the research and innovation unit for the group, Fazer Lab serves all Fazer's businesses and collaborates with group functions. Fazer Lab concentrates on long-term innovations and R&D with the objective of expanding and optimising our business to secure the

CASE

Taste the Future candy tablet offers a unique alternative to chocolate

Fazer's new plant-based candy tablets have attracted a lot of interest as a sustainable alternative to chocolate. The tablets are made from malted rye, entirely without cocoa.

Fazer prioritises the sustainable sourcing of cocoa, which together with grain, is one of its two key raw materials. Nevertheless, as climate change threatens traditional cocoa-growing areas near the equator, the company sees it as worthwhile to explore alternative cocoa sources, or even entirely different ingredients.

Fazer already invests in researching the future of chocolate and has succeeded in producing cell-cultured cocoa on a pilot scale. In the future, cellular agriculture offers a resource-efficient farming method, with specialised cells grown in controlled

bioreactors to produce the desired raw material.

The innovative Taste the Future candy tablet is the latest result of Fazer's exploration into cocoa alternatives, conceived through the meticulous analysis of the aroma profiles of various grains, expertly paired with plant-based ingredients.

Fazer's skilled team of chocolate scientists crafted the delectable candy tablets using locally sourced rye as a novel substitute for cocoa. The rich flavour of malted rye is achieved through gentle roasting, creating a deep and slightly bitter taste reminiscent of cocoa. This distinctive flavour is enhanced by the addition of vegetable fat, delivering a delightful candy tablet that melts in your mouth.

The oats and rye used in Fazer's Taste the Future as well as Fazer Oat Choco tablets are sourced from Lahti, Finland, ensuring the highest quality. Both treats are suitable for vegans. Furthermore, in line with Fazer's commitment to eliminate palm oil from all our confectionery and biscuit products by the end of 2024, Taste the Future is palm oil free.

Handmade in limited quantities at Fazer Café Kluuvikatu in Helsinki, Taste the Future grain-based candy tablets were available in two delicious flavors: blueberry and salted caramel. Consumer feedback collected during the pilot launch will be used to develop the product for future sales.





Fazer Aito products, made of Nordic oats, will soon also be available in Swedish, German, and Polish markets.



Fazer's world-class oat know-how is used in all our businesses which, as of 2023, offer more than 200 products made from domestic oats.

company's standing in the future of food. One of Fazer Lab's current research projects studies the effects of whole grain and dietary fibre on gut microbiota and the gut-brain axis. The research, conducted as industrial PhD in collaboration with three Swedish universities, were finalised in 2023.

The task of assessing our offering based on health factors and finding alternatives that reduce salt and sugar is another topic that is high on Fazer's R&D agenda. In addition to testing several novel ingredients in 2023, we continued to monitor regulatory developments in the EU regarding front-of-pack nutrition labelling. We have made preliminary analyses of the impact of the upcoming labelling regulations on our product labelling.

A leading oat innovator

Our continuous development of new applications for oats has made Fazer a leading oat innovator in Northern Europe. As one of the Nordics' biggest oat producers, Fazer's world-class oat know-how is used in all our businesses which, as of 2023, offer more than 200 products made from domestic oats. We currently export oats and oat derivatives to more than 40 countries.

Fazer is the Finnish market leader in oat bread, and the emission reductions resulting from the production of Fazer Puikula Oat portion bread using the high-tech portion oat bread line became more evident in 2023. The recently installed line reduces emissions by 13% or 565 tCO₂e.

Aspiring to grow in the global market, the Fazer Aito brand, which includes, oat drinks, cooking products, and gurts has renewed its brand identity, visuals, and packaging design. The product family has also expanded into new types of functional oat drinks, supplemented with nutrients that support well-being. Made in Fazer's mills, the new high-fibre Fazer Alku mueslis and porridges and Fazer Alku Oat Fibre & Linseed Porridge offer a variety of breakfast and snack options to suit every taste. For example, the nutty Geisha Granola adds a welcome new flavour to our line of tasty oat cereals.

Additionally, in 2023, Fazer Dumle and Fazer Pätkis Oat Puddings arrived on store shelves. The unique, mouth-watering vegan novelties are silky smooth oat-based puddings that call to mind the flavours of the classic sweets, responding to Finnish consumers' demand for a greater assortment of plant-based desserts.

Expanding our plant-based offering

Fazer Lifestyle Foods aspires to be a prominent player in the Northern European plant-based market, celebrated for seamlessly blending delectable flavours with a sustainable lifestyle. The business plans to expand internationally, emphasising its expertise and passion for Nordic oats.

The share of plant-based products in Fazer's offering is 45% (48%). At the start of the year, we began monitoring the share of plant-based novelties in our offering on a quarterly basis. We have launched fewer plant-based novelties compared to last year, with a share of 37% (48%).

Vegan and palm oil free novelties introduced in 2023

Domino Mokkapala and Domino Mustikkapiirakka are based on two flavours that rose to the top when Finnish fans voted on them to celebrate

Plant-based offering, %

	2023	2022	2021
Share of plant-based products in novelties	37	48	43
Share of plant-based products in offering	45	48	47

the much-loved Domino biscuits' 70th anniversary. The delicious variants offer irresistible combinations of the favourite baked treats, chocolate brownie and summery blueberry pie. Both are baked without palm oil and are suitable for vegans.

As Fazer proceeds with cutting palm oil out of its products, all Fazer Geisha products became palm oil free, with the ingredient in the chocolate filling replaced by sustainably produced cocoa butter. In 2023, also Oululainen Pullava, Finland's most bought sweet loaf also became totally palm oil free during the year. The sweet bun is just as tasty as before and is even moister. The palm oil was replaced for the most part with rapeseed oil, and in some Pullava sweet loaves filled with vanilla pastry cream, coconut fat is now also used.

Fazer enters the field of personal care

In 2023, Fazer entered the global personal care market with our xylitol and oat oil products. Fazer Xylitol and Fazer Oat Oil are suitable for personal care products and are now in use by the largest cosmetics companies in the Nordics. Nordic oats are rich in fatty acids, antioxidants, and phytochemicals that soothe and moisturise the

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During 2023 Fazer entered the global personal care market with our xylitol and oat oil products.

skin, hair, and nails, making them an ideal choice for those who prefer natural and sustainable personal care products and solutions.

With health benefits well-known to most Finns, Xylitol is used to lower levels of acid-producing bacteria, reduce dental plaque, and improve overall oral health. During 2023, our confectionery factory in Lappeenranta, Finland, began the gradual shift to using Fazer Xylitol in all our chewing gums and pastilles sweetened with xylitol.

Collaborating with food producers and WWF

Our commitment to developing our plant-based offering supports the statement by Finland's domestic food producers entitled "Kasvipohjaisiin elintarvikkeisiin kannattaa investoida nyt" (The time to invest in plant-based food is now). Fazer is among the 30 companies and organisations who signed the



Fazer Oat Oil and Fazer Xylitol brings the benefits of oats to cosmetics. Nordic oats are rich in fatty acids, antioxidants, and phytochemicals that soothe and moisturise the skin, hair, and nails.



During 2023 we began the gradual shift to using Fazer Xylitol in all our chewing gums and pastilles sweetened with xylitol.

statement coordinated by the World Wildlife Fund Finland.

Climate change, the overconsumption of natural resources, changes in land use, and the eutrophication of water bodies all pose threats to biodiversity. We continued Fazer's long-standing cooperation with WWF to promote sustainable food production, signing a contract with the fund to help identify and mitigate our impacts on biodiversity.

Developing and utilising more sustainable packaging solutions

Our vision for sustainable packaging by 2025 envisages Fazer's packaging as part of the cycle of nature. We aim to design packaging that aligns with the principles of a circular economy, emphasising the reduction of packaging materials while upholding the high quality of our products. Additionally, we strive to minimise food waste through the careful selection of materials.

Fazer has an ongoing Group-wide Sustainable Packaging Development Programme and we have previously signed a Material Efficiency Commitment to the food industry. In 2023 we made a new commitment called the "Green deal" for reducing single-use

plastic food and drink packaging. In accordance with this latest commitment, we have pledged to continue mapping alternatives to single-use plastic packages, look for ways to reduce their number and the amount of plastic in them, and develop new packaging solutions.

As a whole, Fazer is proactively engaged in the development of sustainable packaging materials and incorporating them into our product offerings.

Throughout Fazer Group, we use fairly little plastic in packaging our products, with the total volume of plastic amounting to 18.1% of our packaging materials. In reducing our use of packaging materials in general, we have decreased our use of plastic by 377,000 kg on an annual basis, or by approximately 12.6% compared to 2018 for Fazer Group as a whole.

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Throughout Fazer Group, we use fairly little plastic in packaging our products, with the total volume of plastic amounting to 18.1% of our packaging materials.

Achievements in Fazer's Sustainable Packaging Programme in 2023

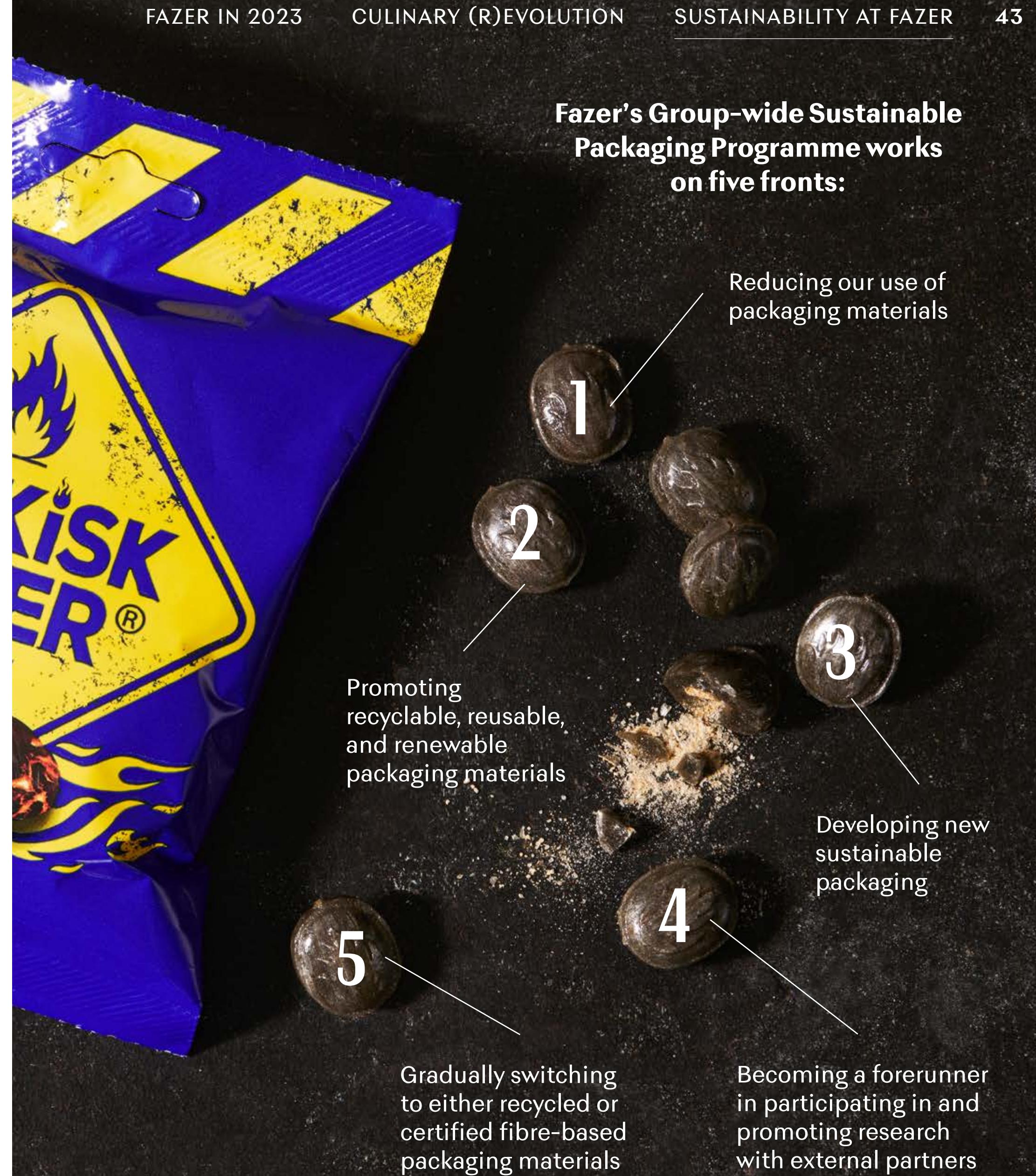
- In promoting recyclable, reusable, and renewable packaging materials, 99.8% of the packaging materials used in all Fazer Group products are classified as sortable.
- In Finland, Sweden, and the Baltics, 85% of Fazer Bakery's bread and bun bags are now made of Polyethylene (PE) plastics, which can be recycled as plastic.
- All our packaging features clear sorting instructions to help consumers.
- In our bakeries in Finland, 75% of sales and transport trays are reusable. In practice, these are washable, stackable plastic trays.
- We reduced the use of plastic in our cake roll packaging by 20%.
- The packaging for Kina, Marianne, and selected Dumle sweets transitioned from upright bags to a pillow-type format, saving 41,881 kg in plastic.
- We carried out a similar change for Xylimax chewing gum bags, resulting in 800 kg less plastic per year.
- A size reduction in our Share the Fun sugar candy bags resulted in 539 kg plastic savings per year.

- Our 150 g and 400 g gurt cups are now made with less plastic, with the new packaging solution reducing our plastic use by 4,100 kg or about 13% annually.
- The caps for our oat drinks and cooking products have switched to a new format and are now attached to our beverage containers.

In 2023, Fazer demonstrated its leadership as a forerunner in promoting and participating in research with external partners. The two-year-long R&D collaboration with UPM resulted in an innovative sealable paper-based packaging material. The new, fully fibre-based packaging material for Fazer Oat Rice Pasties is an award-winning example of our work to develop new sustainable packaging. The product's cutting-edge paper-based bags are a considerable step towards Fazer's goal of 100% recyclable packaging materials. The previous packaging

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**Since 2018,
we have decreased
our use of plastic by
377,000 kg annually.**





The new, fully fibre-based packaging material for Fazer Oat Rice Pasties is an award-winning example of our work to develop new sustainable packaging.

could only be utilised as energy – now it is recyclable as corrugated carton in Finland.

Until recently, Fazer Oat Rice Pasties' packaging had included a layer of plastic laminate to protect its shelf life and enable heat sealing. Fazer collaborated with UPM Specialty Papers to develop the product's new packaging solution, which unlike traditional plastic-coated papers, can be sent directly from the paper mill to the printer. This cuts out the conversion step of adding a plastic lamination layer while also spelling savings of 1,000 kg of plastic per year.

From its earlier multi-material composition combining fibre and plastic layers, the packaging for Fazer Oat Rice Pasties has transitioned to a renewable bio-based mono-material. The innovative paper packaging is certified for food safety and is made from responsibly sourced fibres from sustainably managed forests. It has garnered several prizes, including ScanStar 2023 and the New Wood 2023 competition.

Packaging material data improvement efforts

During the year, our packaging material data improvement drive began to gather unified

Group-level data, enabling us to optimise our tracking and target setting. The data improvement drive has led to better visibility on the volumes and types of materials we use in our packaging and is set to continue.

Our objective with regard to packaging is to use fibre-based materials whenever possible while also taking product quality and shelf life into account. Most of the packaging Fazer uses is paper, carton board, or corrugated board from wood-based fibre. In general, these are made primarily from biomaterial and renewable natural resources. 72.9% of Fazer's packaging is made from renewable materials.

As a Group, we use only minimal volumes of metal in packaging, and we have reduced that amount by a further 9%. Part of the metal used is in aseptic packaging or combi-materials such as Fazer Aito Tetra Paks, as well as in the clips for our bread packs.

The novel materials we used in packaging our products were tested in the Package Heroes research project, which was finalised in 2023. The five-year endeavour was funded by the Strategic Research Council functioning under the Academy of Finland.

Benefits of the packaging material data improvement drive

- Unifies Group-level data from Fazer's businesses
- Enables the collection of sustainable packaging data from Fazer Group
- Responds to upcoming legislation requirements
- Fulfils growing customer and consumer needs and inquiries
- Enables sustainable packaging target setting and KPI monitoring
- Improves and automates recycling fee reporting and payment



Read more on Fazer's use of recycled or certified fibre-based packaging materials and our target to transition to 100% sustainably sourced fibre-based packaging by 2026 in the section on **Sustainable sourcing**.

Monitoring and influencing regulatory developments in packaging

The outlook for Fazer's sustainable packaging efforts in 2024 is optimistic. We will continue focusing on improving the recyclability of our packaging materials as well as our material reduction efforts.

Based on new available data, we will set more tangible reduction targets in the coming year, continue to follow regulation closely, and participate actively in interpreting it.

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.

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We will continue focusing on improving the recyclability of our packaging materials as well as our material reduction efforts.

Sustainable Sourcing

A fair and sustainable supply chain is vital for our future

We aim to uphold the utmost quality of raw materials and maintain responsible operations across our supply chain.

As one of the leading food companies in the Nordic region, our activities throughout our supply chain have a profound impact on people, their livelihoods, communities, and the environment. We source raw materials fairly and sustainably, and acknowledge our responsibility to safeguard human rights, fair wages, and good conditions across our supply chain.

By choosing suppliers and business partners who demonstrate competence, trustworthiness, technical capabilities, and adherence to our Supplier Code of Conduct (SCoC), we can ensure that our products and services are both equitable and sustainable.

Moreover, as part of our endeavours to lessen our environmental impacts throughout our supply chain, we actively support farming practices that decrease climate impacts and protect biodiversity on land and in water.

Developing requirements for Fazer's suppliers

Fazer maintains three levels of sustainability engagement regarding our raw material suppliers. At the first or basic level, suppliers with the yearly spend of over EUR 10,000 are required to sign our Supplier Code of Conduct. At the second level, we require certifications for specific, high-risk raw materials.

100% SUSTAINABLY SOURCED



The third level concerns our strategic raw materials, 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 works only with carefully selected suppliers and business partners. Our Supplier Code of Conduct sets the basic conditions related to the topics of human rights, environment, occupational health and safety, as well as business ethics. To foster sustainable sourcing in our businesses, we measure the percentage of spend from suppliers who have signed our Supplier Code of Conduct. In 2023, we revised the SCoC coverage indicator to measure that supplier across all categories with an annual expenditure exceeding EUR 10,000 have signed our Supplier Code.

At the end of 2023, 89% of our suppliers by spend had signed Fazer's Supplier Code of Conduct. Trenumsums Food AB, now known as Fazer Tingsryd, a company which Fazer acquired in 2022, has been included in the calculation starting this year.

In addition, in 2023, we began reporting on which of our suppliers by spend had signed

CASE

Fazer Saaristolaileipä adheres to the Grain Vision programme's sustainable farming principles

Farmers who take part in Fazer's Grain Vision programme grow wheat, oats, and rye sustainably according to the programme's ten principles.

The vast majority of Finns 88% say they highly value farmers' work, and 81% say that Finnish bread should be made of domestic raw materials, according to the Suuri Leipäutkimus 2023 survey conducted by the research agency Red Note.

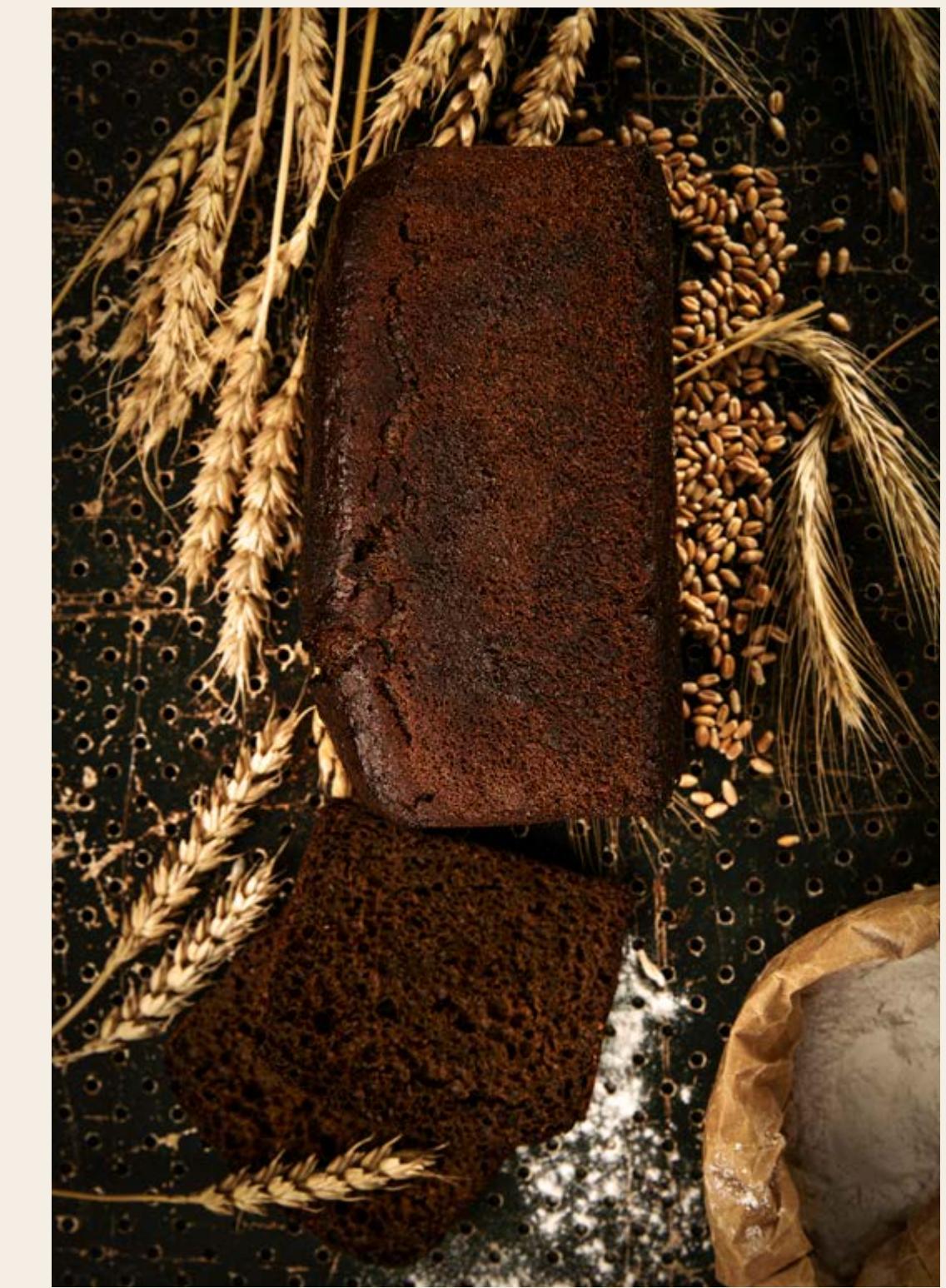
Fazer has worked closely with local farmers in Finland for five decades. By introducing Fazer Leipurit Saaristolaileipä, we seek to highlight farmers' valuable work and contributions to sustainable farming.

Fazer shop-in-shop bakeries always use Finnish flour, and they began baking Fazer

Leipurit Saaristolaileipä in June 2023. All grain used in Saaristolaileipä is grown according to the Fazer Grain Vision programme and baked by hand on-site and from scratch. The idea for the bread was conceived in an internal innovation competition at Fazer.

Together with Finnish farmers, Fazer works to make farming practices more sustainable, aiming to decrease CO₂ emissions, ensure food production, and preserve biodiversity. Our common goals are to reduce eutrophication, minimise the use of pesticides, and store carbon in soil, thus improving the soil's quality and conserving its biodiversity. Our target is for all grain used in our consumer products in Finland and in Sweden to be grown according to Fazer's principles of sustainable farming by 2025.

Stickers on the packaging of Fazer Leipurit Saaristolaileipä offered information on the farmers and their farms. Scanning the QR code also linked to more details on Fazer's Grain Vision programme.



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By introducing Fazer Leipurit Saaristolaileipä, we seek to highlight farmers' valuable work and contributions to sustainable farming.

our SCoC based on procurement categories: direct 97%, indirect 77% and contract manufacturing 98%.

As part of Fazer's commitment to reduce emissions throughout our value chain, we require our suppliers to set ambitious emission reduction targets. At the end of 2023, 47% (35%) of our suppliers in targeted categories, direct materials, contract manufacturing and logistics by spend had committed to the Science-Based Targets initiative for emission reduction. This shows a clear improvement from the previous year and puts us well on our way towards achieving our target of 53% by 2025.

During the year, we also examined the accuracy of our data and made improvements based on information gathered from discussions with our suppliers on the crucial raw material categories that require our close focus. The scope 3 emissions may increase or decrease to reflect a more accurate representation of the actual environmental impact, capturing previously used factors.

Furthermore, in 2023, we began calculating our Forest, Land and Agriculture (FLAG) emissions using updated guidance from SBTi to separate land-related emissions from those

which are generated from energy or industry. We intend to submit an application to SBTi with our new targets in 2024. Additionally, our baseline emissions will require recalculation during the year in light of the results and the newly incorporated FLAG emissions data.

We are currently defining a process for approving supplier-specific and otherwise more accurate emission factors and have received carbon footprint calculations for a number of our key raw materials.

Supplier audits and revision of the supplier approval process

We completed a total of six Supplier Code of Conduct audits during 2023. Four of them were conducted by our external auditing partner, and Fazer performed the remaining two on its own behalf. We also recognise the four-pillar Sedex Members Ethical Trade Audit (SMETA), an ethical sourcing audit that assesses four key areas which correspond with Fazer's own audits.

Supplier self-assessment questionnaires are another tool Fazer uses to examine the suitability of our suppliers and determine whether they meet our standards. We updated our questionnaire and its associated procedures in 2022.

Supplier risk assessments

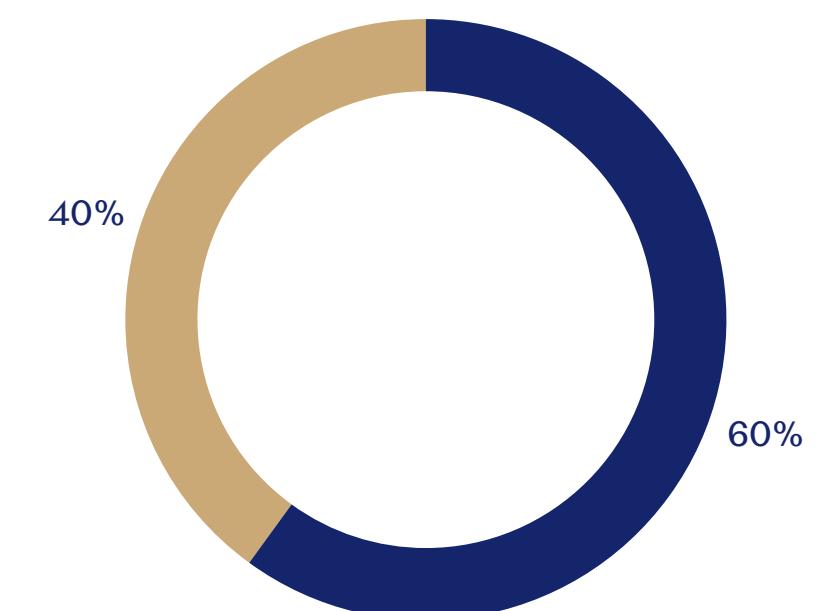
Our supplier risk assessment, which was updated in 2022, is currently in active use. It serves as a framework for evaluating the risk levels associated with our suppliers, categorising them as high, medium, or low risk. The risk model is utilised in supplier assessments, particularly during the supplier approval process. Additionally, we rely on this model when planning for the verification needs of our suppliers.

Fazer's Cocoa Vision

In 2023, we made minor amendments to the audit standard for Fazer's Cocoa Vision, our long-term programme aiming to improve conditions in the production of cocoa. Through our Cocoa Vision, we aspire and make efforts to safeguard that all cocoa used in our products originates from responsibly managed sources. The amendments clarified responsibilities of suppliers and cooperatives, and other similar aspects to make the tool more user friendly.

The Fazer Cocoa Standard describes Fazer's sustainability criteria, which includes 18 critical indicators and 100 basic ones. We source our cocoa through Fazer Cocoa Farmer Programmes

RESPONSIBLE COCOA, DISTRIBUTION



■ FARMER PROGRAMMES
■ RAINFOREST ALLIANCE OR FAIRTRADE CERTIFIED

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Fazer's Supplier Code of Conduct sets the basic conditions we expect from our suppliers on the topics of human rights, the environment, occupational health and safety, as well as business ethics.

in Ivory Coast, Nigeria, and Ecuador, as well as through the Cocoa Horizons programme, and through the Rainforest Alliance and the Fairtrade cocoa programme.

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. Cocoa programme verification will continue in 2024. Moreover, we plan to expand Fazer's Cocoa Vision in the coming years.

In 2023, 40% of our cocoa was certified, while 60% 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 is traceable to the farm level, and a recent third-party verification by SCS Global Services confirmed that Fazer maintains good sourcing practices. The verification also validated that our farmer programmes in all three countries are operated in a professional manner.

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.

In addition to implementing Child Labour Monitoring and Remediation Systems (CLMRS), the farmer programmes' various actions include paying premiums to farmers and providing training in good agricultural practices. Fazer also supports community infrastructure projects, such as those for schools and healthcare, and participates in initiatives that empower women. Besides these, we offer training in environmental practices and conduct waste management programmes.

Anticipating EU regulation on deforestation-free products

In June 2023, the EU mandated to ensure that the products consumed by EU citizens do not contribute to global deforestation or forest

Cocoa from our own Fazer Cocoa Farmer Programmes is traceable to the farm level.





Since 2023 we only use Rainforest Alliance certified hazelnuts in our products.



In 2023, 40% of our cocoa was certified, while 60% came from farmer programmes. The share of our cocoa from farmer programmes has increased gradually year on year.

degradation. This regulation significantly impacts specific raw materials such as cocoa, coffee, rubber, palm oil, and soy. Among these, cocoa has been identified as having the most significant impact on Fazer's operations.

Regulatory requirements mandate the geo-mapping of all cocoa farms, a process that is already underway, but may require additional efforts from our suppliers. Compliance with this mapping will be crucial for importing cocoa to Europe.

Additionally, the regulation requires us to ensure that the farms have been located in deforestation-free areas since 2020. Fazer is committed to working to meet these requirements, which pose urgent challenges for our suppliers and have impacts beyond mapping, including modifications to our data systems and traceability. Fazer already initiated GPS mapping of farms to facilitate cocoa traceability down to the farm level in 2022.

Safeguarding human rights in our supply chain

We conducted a human rights impact assessment on the topics that are most material to Fazer's operations in 2022, and 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. We have used the findings to guide our actions to expand our supply chain programmes and strengthen our work to prevent human rights violations. The findings also equip us to better track our performance in preventing and mitigating effects in the future.

To proactively prevent child labour, during 2022 we had implemented the abovementioned CLMRS with our cocoa suppliers. The relevant suppliers now provide us with quarterly reports, allowing us to closely monitor and promptly address any incidents or risks related to child labour.

Understanding the topic of living incomes for cocoa farmers

Fazer's participation in the Chocolate Scorecard helps us orientate our actions towards areas for improvement, and the survey highlighted the need for development on the matter of living incomes. We recognise living income as one of the most salient human rights questions, and we will continue to focus on the topic.

In 2023, we collaborated with suppliers and NGOs to better define our approach to the topic of living income. We also conducted training sessions for our management. Clarifying this issue is crucial for us to establish a more systematic approach and action plan.

Exploring supply chains for hazelnuts in Turkey

In 2023, Fazer representatives conducted a visit to hazelnut suppliers in Turkey with the aim of reviewing their quality and sustainability practices. The agenda included visits to suppliers' sites and hazelnut orchards. In addition, Fazer representatives had discussions with seasonal workers involved in hazelnut harvesting, participated in their health and safety training, and visited a summer school organised for their children.

Investigating the supply chains for wild berries

Additionally, in 2023, we investigated our supply chains for berries and vegetables. In the light of cases reported in the media at large regarding berry pickers, we chose to take precautions against any potential human rights risks regarding our suppliers. We contacted all our suppliers related to berries, and wild berries in particular.

Fazer's Grain Vision boosts sustainable grain farming

Our target is for all grain used in Fazer's consumer goods in Finland and Sweden to fulfil sustainable grain farming principles by 2025. As one of the largest buyers of flour and a significant user of grain in the Nordic region, Fazer promotes sustainable agriculture in partnership with local farmers.

Fazer's Grain Vision includes ten principles for implementing sustainable farming that help farmers make their farming activities more sustainable. We created the ten principles for sustainable farming in collaboration with Finnish and Swedish stakeholders, and diverse groups such as farmers, producers' associations, and environmental organisations took part in the work.

The Grain Vision's principles compile existing good practices that are already being followed either fully or partially. They focus on minimising eutrophication, protecting biodiversity, and decreasing the use of pesticides. Furthermore, the Grain Vision supports Fazer's commitment to protect the Baltic Sea ecosystem. Verification of the Grain Vision programme is on-going in Finland and Sweden.

Over half of Fazer's contract farmers use sustainable farming methods

Results from Fazer's comprehensive annual farmer survey indicate that a significant milestone was achieved in 2022 when over 50% of Fazer's conventional contract farmers in Finland said they use all ten sustainable farming methods. In particular, the results showed that the use of various precision farming methods has become more common.

Fazer invests in collaboration with contract farmers and organises regular training sessions for farmers regarding sustainable farming methods. These sustainable methods promote the implementation of good crop rotation, support the efficiency of nutrient use, improve soil structure, and reduce the need for pesticides.

Collaboration with Yara studies the impact of farming practices and fertilisation

As part of Fazer's commitment to its Grain Vision, Fazer is collaborating with fertiliser company Yara on a two-year research project. The research seeks to optimise crop yields while reducing carbon emissions from mineral fertilisers, a major source of emissions in farming.

As one of the largest buyers of flour and a significant user of grain in the Nordic region, Fazer promotes sustainable agriculture in partnership with local farmers.



Conducted at Yara's Kotkaniemi research station in Vihti, Finland, the project employs advanced Finnish technology, including the Gasmet multi-gas analyser and Datasense's automatic carbon analyser systems. Measurements focus on greenhouse gas emissions during the cultivation of spring wheat and grass, assessing the impact of different farming practices and fertilisers. The study contributes to developing sustainable farming practices and will offer concrete recommendations for farmers to reduce emissions.

A decade of protecting the Baltic Sea

Fazer has participated in protecting the Baltic Sea since 2013 and has now signed its third commitment with the Baltic Sea Action Group (BSAG), pledging to develop its production, operating methods and product selection in ways that support the ecological balance of the Baltic Sea and other waterways. The commitment, which is in effect until 2028, aims to prevent eutrophication while also focusing on promoting sustainable food production, and regenerative farming in particular.



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The Grain Vision's principles focus on minimising eutrophication, protecting biodiversity, and decreasing the use of chemicals in agriculture.

The 'IPM - Productivity and Responsibility in Food Production - Itua ja Vastetta' project

Fazer Mills actively participates in the "IPM - Productivity and Responsibility in Food Production - Itua ja Vastetta" project, collaborating with various stakeholders to promote responsible farming practices. Integrated Pest Management (IPM) refers to an approach to pest control that combines strategies to effectively manage pests while minimising the impact on the environment.

The project focuses on reducing chemical plant protection measures through on-farm knowledge exchange and monitoring plant nutrient use. It involves farmers in testing and adopting IPM methods, contributing valuable insights for Fazer Mills' contract farmers and the wider farming community. The initiative aims to enhance awareness of IPM principles and facilitate knowledge transfer among farmers, researchers, advisory services, and food companies.

The Swedish Pledge for a sustainable supply chain for food

In another of our home markets, Fazer, together with our peers in the food production and retail sector in Sweden, signed the Swedish Pledge for a more sustainable supply chain for food by 2030. The pledge takes a holistic approach to sustainability, seeking to foster more sustainable food production in selected categories across the value chain with targets and objectives on four fronts: climate, biodiversity, resource efficiency, and human rights.

The 15 companies that signed the pledge collaborated with members of

Hållbar Livsmedelskedja (HLK) and WWF to set common goals on the joint roadmap for 2030. The initiative is a unique cross-border collaboration that brings together food producers, Swedish grocers, and restaurant wholesalers in a unified effort, symbolised by a joint handshake demonstrating a shared commitment to sustainability.

Fair and sustainable raw materials

Working towards sustainably sourced palm oil by 2024

All palm oil utilised by Fazer is certified sustainable, aligning with our commitment to exclusively use palm oil that is certified by the Roundtable on Sustainable Palm Oil (RSPO). By 2024, our goal is to use only segregated palm oil, covering all group businesses, countries, and product categories. This entails maintaining the separation of certified sustainable palm oil throughout our supply chain, and close monitoring with internal records at our production facilities. As of the end of 2023, 98% of our palm oil was already segregated.

Initiated in 2022, the gradual phase-out of palm oil from our confectionery and biscuit offerings is underway. In the coming years,



Fazer Cafés began to prepare its fish products exclusively with Finnish rainbow trout early in the year, adjusting the cafés' most popular offering, salmon soup.

RSPO supply chain audits will continue at our production sites that use palm oil. In the meantime, we will carry on investing in R&D efforts to develop healthy and sustainable food products and find ways to replace palm oil with other fats, oils, and other ingredients with even greater health value.

Prioritising locally sourced meat

As part of our preparation for EU Deforestation regulation, we strengthened our commitment to prioritise locally sourced meat. The share of locally produced meat in 2023 was 85%. Our recently published Animal Welfare Policy states the five freedoms of animals.

Our commitment to animal welfare is an important element of our ethical and social sustainability efforts, and our Supplier Code of Conduct also includes principles related to

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Our commitment to animal welfare is an important element of our ethical and social sustainability efforts.

animal welfare, advocating for animal rights, and minimising animal suffering.

Committed to sourcing cage-free eggs

Fazer has pledged to shift gradually to using only cage-free eggs by 2024, a commitment that encompasses all our businesses and markets. In 2023, the share of cage-free eggs we used in our products increased to 97% (59%).

Fazer Cafés switch to Finnish rainbow trout

Fazer Cafés began to prepare its fish products exclusively with Finnish rainbow trout early in the year, adjusting the cafés' most popular offering, salmon soup. According to WWF, from the perspective of the marine ecosystem and diversity of fish stocks, rainbow trout is a more sustainable alternative than imported salmon.

WWF Finland and Fazer have collaborated for years to promote sustainable fishing and safeguard biodiversity, and Fazer is committed to using exclusively sustainably produced fish and shellfish in our operations. The share of green-listed, MSC or ASC certified fish Fazer used in 2023 was 78% and yellow-listed was 22%. Fazer does not use endangered, red-listed fish.

Progressing towards certified fibre-based packaging

We have set the target that all of Fazer's fibre-based packaging materials must be certified or made from recycled materials by 2026. This year, our procurement, sustainability and packaging teams underwent comprehensive training facilitated by an external consultant. The training aimed to provide a deeper understanding of the steps required to achieve our certification goal. The initial planning phase has started, and the next step is to develop a project description to guide the process forward.

Fazer joins an extended training programme on Science Based Targets for Nature

Fazer is participating in a new training programme by the Global Compact Network Finland focusing on companies' impact on nature. Participants in the programme familiarise themselves with the guidelines on science-based nature targets published by the Science Based Targets Network (SBTN). The programme seeks to enable participating companies to identify the environmental hazards caused by their own operations and

value chain. Fazer is one of fifteen Finnish companies that have joined the training programme.

Other advancements in our sourcing practices

We had previously used Rainforest Alliance (RFA) certified cocoa, and now we have expanded our certification efforts to include hazelnuts. We achieved our target of all directly sourced hazelnuts being RFA-certified. Only 1% of the nuts were conventional as we purchased them as part of some preparations such as fillings.

Moreover, Fazer took a significant step by committing to purchasing only sustainably produced coffee by 2025. In 2023, the share of sustainably sourced coffee was 63%.

In 2024 and beyond, we plan to closely examine and assess necessary actions or commitments related to the risk of raw materials such as rice and alternatives to palm oil, including coconut oil.

Fazer is committed to having 100%

Traceable cocoa by 2027

Rainforest Alliance certified hazelnuts from 2023 onwards

Locally sourced meat

Cage-free eggs by 2024

Certified or recycled fibre-based packaging by 2026

RSPO* certified palm oil, with only segregated palm oil by 2024

Sustainable certified soy

Sustainably produced coffee by 2025



People and Well-being

A diverse and inclusive culture accelerates innovation

We are confident that the meaningful food experiences of the future will be developed in a diverse work community.

At Fazer, we firmly believe that uniting individuals from diverse backgrounds and empowering them to freely express their unique perspectives is the catalyst for innovation. Guided by our core values, all members of the Fazer community should experience a sense of belonging, trust, and inspiration to give their best. The power of authenticity and inclusion is invaluable to individuals' overall well-being. Those who feel they can be themselves are also more likely to strive for excellence.

At the end of 2023, Fazer employed 5,951 people in eight countries. The largest number of our employees, 4,060, worked in Finland,

followed by Sweden with 1,282 employees, and Latvia with 284 employees.

Approximately 4,000 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.

More than 95.5% of Fazer's employees are covered by collective bargaining agreements. For those who are not covered, the terms of their employment are determined through individual

Fazer employed
5,951
people in 2023.



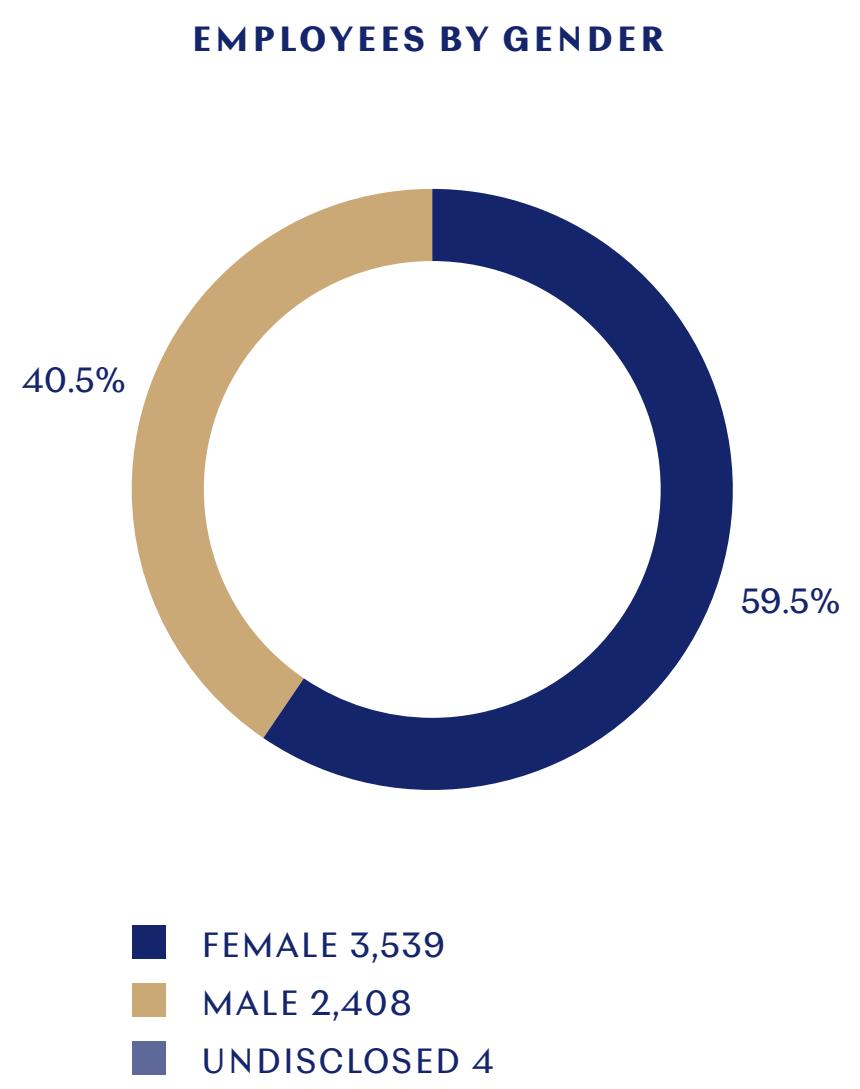
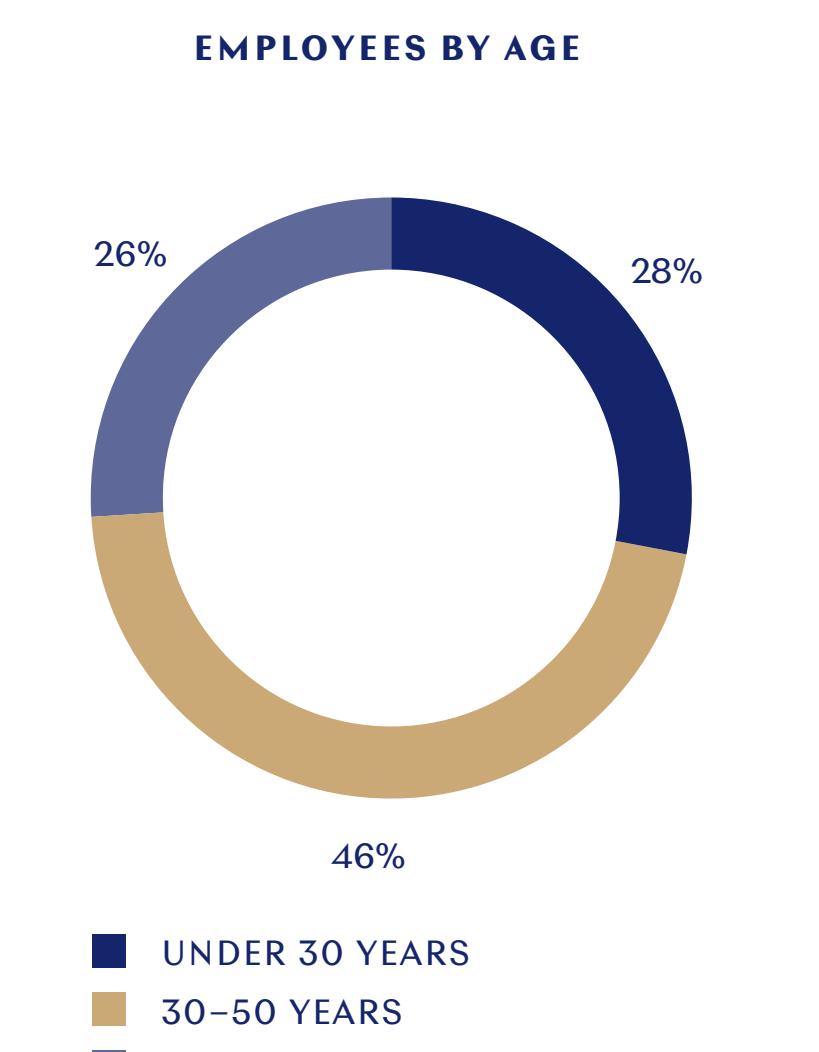
negotiation, using standard contracts with local employment law as the reference point.

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. A new EWC agreement for a 3-year period was signed earlier in the year and elections for representatives took place in the spring.

Shaping a diverse and inclusive culture

One of our three core values, Northern liberty, means enabling equal opportunities and giving every individual the chance to be themselves. This principle is part of Fazer's DNA.

Our objective is to ensure that every Fazer employee understands the significance of Diversity, Equity & Inclusion (DE&I) and recognises the importance of these concepts in shaping our culture. During the year, we initiated the rollout of DE&I training for all Fazer employees. Furthermore, we trained our managers on the importance of DE&I. We also began rolling out training for all staff on the topic in all Fazer languages, giving everyone the opportunity to complete it in their preferred language.



CASE

The Fazer Recognition Reward

In 2023, we introduced the Fazer Recognition Reward as a new way to honour employees for their extraordinary achievements.

While giving recognition is a small thing to do, the benefits can be significant in terms of motivation and well-being. We naturally encourage people to express their appreciation and recognise each other's successes in their normal everyday contacts, but the Fazer Recognition Reward introduced a special way to do that on top of these interactions.

The Fazer Recognition Reward was initiated in response to employee engagement survey results in 2022 that showed that our employees did not always feel they received enough acknowledgement, recognition, or feedback on the tasks they had performed well. It

can take the form of either a non-cash prize, such as a gift card, flowers, movie tickets, restaurant vouchers, and the like, or a lump sum in cash.

Launched in spring 2023 during Well-being Week, the Fazer Recognition Reward was conceived as a way to acknowledge exceptional achievements by Fazer employees. The reward gives managers an opportunity to bestow on-the-spot recognition to team members.

This new instrument for rewarding excellent work reinforces the message that receiving positive feedback and acknowledgement for jobs well done improves work well-being. So far, the scheme has been well received, and in only a few months' time, 50 cash rewards as well as over 200 non-cash rewards have already been granted.

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While giving recognition is a small thing to do, the benefits can be significant in terms of motivation and well-being.

Fazer Confectionery countlines celebrated diversity and the uniqueness of every individual countline, bringing attention to the DE&I topic in a fun and light-hearted way.



Fazer PATUKAT
KAIKISSA ON JOTAIN HYVÄÄ

Additionally, we developed a toolkit for discussing and recognising the elements that build inclusion, launching it for teams and team leads to use.

We recently adopted the DE&I topic as a KPI in our People & Well-being ambition, incorporating it into our work towards our sustainability goals. We now actively monitor the cultural diversity of our management teams, which include our leadership team and our global business and functional teams. From our

perspective, a diverse leadership will set an example for the rest of the organisation.

Our target is for a third of the members of each global leadership team to be made up of non-Finns over the coming years. Some of our leadership teams already show a good balance between Finnish and non-Finnish members. Given that Fazer aims to seize opportunities in new markets, the diversity of management teams in terms of members' ethnicities, cultures, and nationalities is a meaningful KPI for us. The genders are well represented in our personnel, and the age distribution among Fazer employees remains fair.

In the spring 2023, a campaign promoting Fazer Confectionery countlines celebrated diversity and the uniqueness of every individual countline, bringing attention to the DE&I topic in a fun and light-hearted way.



*PERSONNEL FIGURES PRESENTED AS HEADCOUNTS

Acknowledging employees who bring Fazer values to life

Our commitment to promoting our values remains unwavering, with these ethical principles embedded in our actions. One tangible way we acknowledge Fazer values is through the annual Rooster award, which

recognises employees who consistently embody our values and behaviours in their everyday work. Colleagues can nominate one another for this recognition, highlighting fellow employees' meaningful contributions.

An important aspect of our culture that we wish to emphasise is that of experimenting and viewing mistakes as opportunities for learning. This mindset fosters the innovative approach that will secure our company's future. Within our venture activities, we have launched various initiatives such as a quarterly venture cycle and an annual innovation event to encourage people to experiment, learn, and build their courage to explore new ideas.

Promoting engagement and well-being

In 2023, a host of initiatives enabled us to advance our People and Well-being ambition. We have also seen the fruits of our labours from 2022, when we introduced the Fazer Well-being Framework to comprehensively address factors affecting individual well-being at work.

In our annual employee engagement survey, employee well-being saw the most improvement among our indexes with a score of 69.0 (66.6). On the other hand, the survey

found that the topic still rates the lowest among our index categories, which signals the need to continue putting importance on it. Particularly in this unsettled global environment, the Fazer Leadership Team sees the value of upholding well-being as an ongoing focus area where we need to take action.

We continue to conduct employee engagement surveys annually with themes around well-being, team leadership, and inclusion, among other significant topics. The survey results are shared widely, and actions are taken at the team level.

Successes in Employer Branding

We had defined our Employer Branding (EB) focus areas and developed a strategic EB framework with a communication plan around key story themes about working life at Fazer in 2022. A concrete sign of the success of these efforts is the high number of candidates who applied to open positions at Fazer in 2023, including those jobs that might not have been easy to fill previously. Although there are areas where we need to make progress with regard to our People and Well-being ambition, we have seen an improvement in the strength of the

Fazer brand, particularly in Finland. Notably, the annual Reputation&Trust survey monitoring the reputations of Finnish companies among the general public ranked Fazer as Finland's most reputable company in 2023. We improved our performance in six aspects, with the biggest improvements in the leadership and workplace dimensions.

We continue to take systematic steps to differentiate ourselves as an employer in Sweden and in the Baltic countries, where Fazer is less well-known.

New salary setting instructions and merit approach adopted in 2023

We adopted new salary setting instructions and a merit approach in 2023 to improve fairness, pay for performance, and address salary gaps. These actions deliver on the Fazer Compensation & Benefits vision and a roadmap focusing on fair and aligned reward practices that were developed during 2022.

Mental health in focus

The mental health of employees remains a persistent challenge for companies worldwide. In response, we partner with services that offer

counselling and support for psychological well-being. These services help to alleviate stress, improving people's well-being at work.

In addition to empowering employees to take responsibility for their own overall health, our agenda is centred on educating our managers to enhance their ability to support their team members' work-related well-being. Our several occupational healthcare partners also assist us in promoting employees' health and well-being on a more practical level.

Reinforcing an atmosphere of psychological safety

In all our operating countries, we work diligently to implement practices and cultivate a culture that effectively addresses inappropriate behaviour. This topic is closely tied to psychological safety, trust, equity, and inclusion, which are high priorities for us.



From our standpoint, the way to improve is by acting on the feedback we receive and encouraging discussions within teams and with individuals about both the feedback and emotions involved. We have established various communication channels for employees to express and relay their views, supplementing our annual employee engagement survey.

Continuous competence development and learning

Online learning remains a primary method for delivering learning content to our employees and teams. This year, we introduced new content covering a wide range of topics, including safety, DE&I, well-being, brands, marketing, data, and processes. On average, Fazer employees participated in 6.4 hours of training in 2023.

As of the end of 2023, the status of the Code of Conduct eLearning among Fazer's white-collar employees was at 97%. Out of its blue-collar employees, 88% had viewed the Code of Conduct Video. Overall, 90% of employees had received training in Fazer's Code of Conduct as of the end of the year.

White-collar employees' annual performance review process (IPMP) completion rate after our mid-year review in 2023 was excellent at 91%.

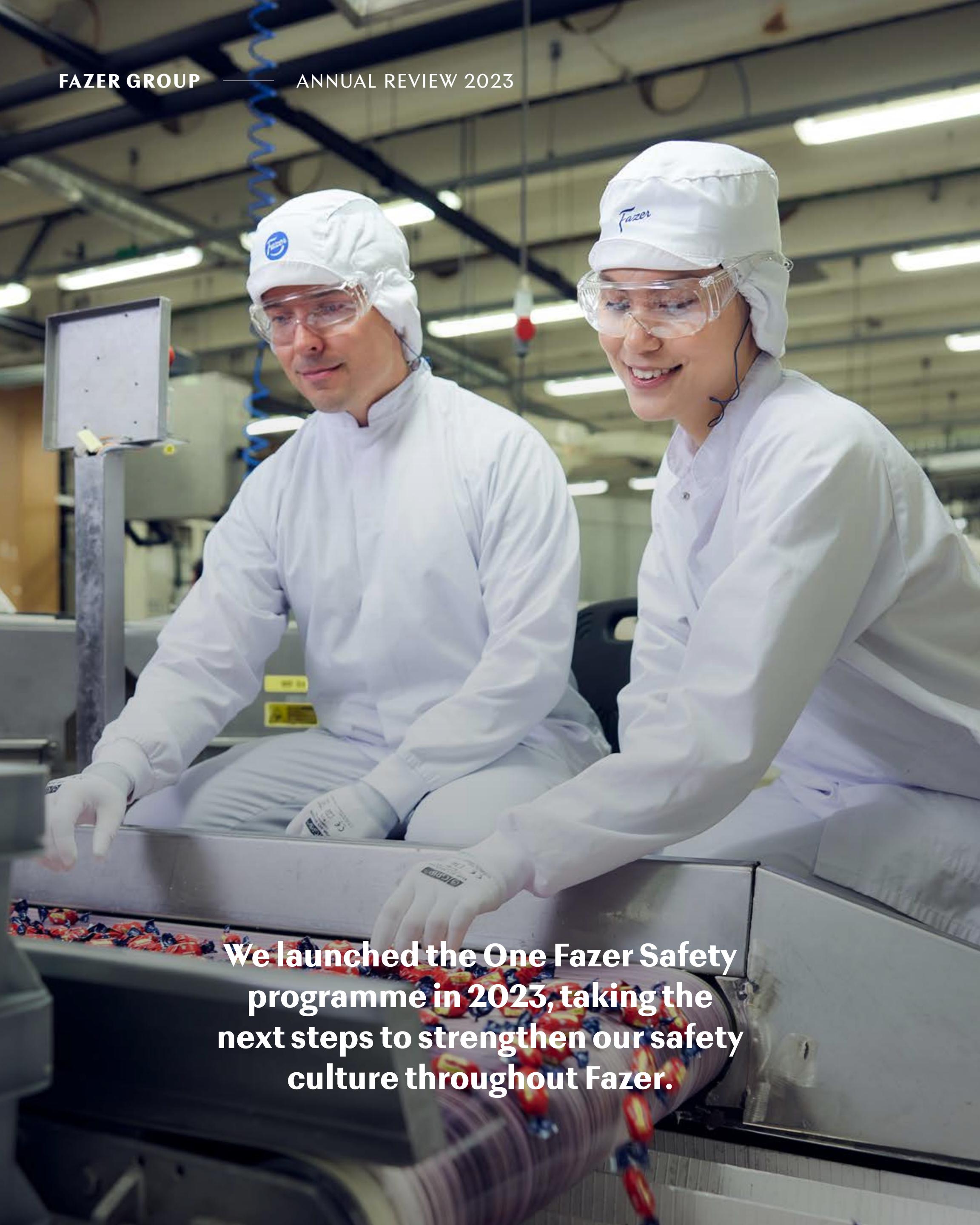
Internal rotation is an essential means to develop our people's competences, our culture, and the One Fazer mindset. At the year to date, over 50% of our white-collar vacancies are filled with internal candidates. To boost our people's competences further, we implemented competence development programmes in several areas, with a special focus on leadership, consumer centricity and innovation during the year.

Digital transformation continues to be relevant
Fazer Flow is a long-term programme to propel us toward becoming a data and process-driven organisation, focusing on harmonisation by implementing modern technology. The group is committing substantial investments in resources, time, and funding to support this transformative endeavour.

In the autumn, we hosted a Finland-specific session of Fazer Transformation Forum discussing future scenarios. These forums provide an excellent platform for our businesses

The Reputation&Trust survey ranked Fazer as Finland's most reputable company in 2023.





We launched the One Fazer Safety programme in 2023, taking the next steps to strengthen our safety culture throughout Fazer.

to converge, discuss shared topics, align on significant themes, and gain insights from external speakers.

We have various ongoing projects that support Fazer's digital transformation in specific functions and businesses.

Prioritising workplace safety for a safer tomorrow

In 2023, we launched the One Fazer Safety programme, taking the next steps to strengthen our safety culture throughout Fazer. As part of our safety vision, we strive to be the safest food company in Northern Europe.

The One Fazer safety programme is a Fazer-wide effort to establish a consistent and unified safety culture across all Fazer businesses, countries, roles, and levels of the organisation. As part of the programme, we defined Fazer safety principles to guide us in everything we do:

- **We lead safety at all levels.** Our leaders build Fazer safety culture by showing their own commitment and maintaining a continuous dialogue on safety.
- **We all own safety.** Safety starts with each of us, and we all need to put safety first in everything we do, every day.

- **We develop safe processes and ways of working.** We have a systematic and consistent approach to safety across the whole company.

- **We care and act.** We build a common safety culture by caring for each other, observing our work environment, and acting when needed.

In addition, the programme gives practical and systematic tools to enhance safe work practices. Through it, we develop Group-wide health and safety guidelines and standardised programmes that direct our attention towards implementing preventive safety measures through defined processes.

Our commitment and principles for managing Occupational Health and Safety (OHS) are outlined in Fazer's Quality, Food safety, Environment, and Occupational Health and Safety, QEHS Policy. We are guided by our mindset of "Safety First" and believe that all accidents and work-related diseases are preventable. Our clear goal is zero accidents at work.

We also manage occupational health and safety through the ISO 45001 management

system throughout our Confectionery business, Fazer Mills Finland, as well as in all our Bakery sites in Sweden, covering 49% of our total personnel. For more information, please see [page 65](#).

In 2023, Fazer Group's Lost Time Accident Frequency (LTAF) amounted to 5.1 (4.1).

Regrettably, in 2023, a tragic work-related incident occurred at our bakery in Umeå, Sweden. We mourn the loss of an employee who tragically lost his life in an unfortunate accident involving a truck loaded with flour. The incident, which should never have happened, has deeply saddened the family of our employee and the entire work community. It prompted a comprehensive investigation into its causes to ensure a thorough understanding and implement measures preventing any recurrence of such incidents in the future.

Frequency of occupational accidents

Number of accidents per one million working hours	2023	2022	2021
Fazer Bakery	3.2	3.2	3.9
Fazer Confectionery	7.8	4.3	6.8
Fazer Lifestyle Foods	6.4	7.7	16.8
Others	4.9	2.4	0.0
Total in Group	5.1	4.1	5.8

In 2023, we launched training sessions on the Leadership Safety Walk routine and began implementing them in all management levels across Fazer. A key preventive safety action, the routine connects senior leaders with their frontline employees to build a strong safety culture within the organisation. In addition, safety walks are valuable opportunities to demonstrate our leadership's own commitment and enable them to keep a continuous dialogue on safety.

We also established a Fazer-wide approach of further systematising processes to investigate and communicate on accidents and incidents across all businesses and strengthen our ways of working. Additionally, we continued safety reporting development, expanding the use of our Group-level safety reporting system to Sweden.

We will continue to monitor our performance internally as well as through external health and safety audits to scan for opportunities to improve. All work-related incidents are reported and investigated, and information on the root causes and corrective actions must be shared within the organisation. Employee representatives participate in the work to



Our target

0

accidents

develop our health and safety management systems, for example, through local health and safety committees, accident investigations, safety campaigns, and safety trainings.

Fazer employees receive both generic company-level safety training and local safety training relevant to their roles and tasks. These are conducted during working hours, excluding those online safety trainings which must be completed before entering sites. Employees who work in production receive annual refresher training, and certain qualifications for high-risk jobs must be renewed regularly, including those for hot work, working in confined spaces, working at heights, and in conditions where electrical safety is concerned.

We plan to update our practices to ensure that our procedures throughout the Group empower employees to take action when it's evident that someone is breaching our safety guidelines or policies. It is crucial that these procedures are not only well understood by all employees but also standardised across all countries. While legal contexts may vary, methods and processes that enable interventions to be carried out are essential.

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*	3,539	2,408	2,558	1,498	610	672	189	95	93	117	76	10	13	16
Employment types														
Permanent	2,965	2,138	2,189	1,356	427	553	172	89	92	115	72	9	13	16
Temporary	251	166	157	67	73	92	17	6	1	0	3	1	0	0
On-call	323	104	212	75	110	27	0	0	0	2	1	0	0	0
Full-time	2,384	2,053	1,706	1,288	317	533	187	94	93	113	68	9	13	16
Part-time	1,155	355	852	210	293	139	2	1	0	4	8	1	0	0

* Does not include persons of undisclosed gender

Developing a strong culture of safety 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 the continued engagement of all our employees over the long term.

Management by gender, %

	Female	Male
Board of Directors	33%	67%
Fazer Leadership Team	37.5%	62.5%

Management by age, %

	Under 30	30–50	Over 50
Board of Directors	0%	22%	78%
Fazer Leadership Team	0%	0%	100%

Group employees by gender, %

	Female	Male
Management	46%	54%
Senior Salaried	59%	41%
Salaried	60%	40%
Blue Collar	60%	40%

Group employees by age group, %

	Under 30	30–50	Over 50
Management	0%	59%	41%
Senior Salaried	4%	68%	28%
Salaried	15%	55%	30%
Blue Collar	36%	40%	24%

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 reporting according to the 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. In 2023, we conducted in-depth double-materiality analysis and identified the most material topics both from impact and financial point of view. The assessment confirmed Fazer's main sustainability topics but will also lead to some amendments to widen and clarify the topics' scope, specifically regarding biodiversity,

water stress in the supply chain, and water pollution. The results of Fazer's double materiality analysis have not been taken into account in the 2023 report.

The reporting period corresponds to the calendar year and to Fazer's financial year of 1 January–31 December 2023. The reporting scope covers all major sites and production units, unless otherwise indicated. Data regarding avoidable food loss reported in Annual Review 2022 has been restated due to mistake in cut-off. The miss-statement's impact was 8% from 104 kg/produced tonnes to 112 kg/tonne. Also, the data regarding fuel combustion and energy consumption for the years 2020–2022 has been restated due to mistake in reporting where part of production

Fazer reports on its sustainability work in accordance with the GRI principles.



units have been missing from the Group total numbers. The impact of this was about 44%.

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. 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 and 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

GRI context index

GRI Standards disclosure		Location (2023)	Reported fully ● partially □	Comments (2023)
GRI 2: General disclosures (2021)				
Organisational profile				
2-1	Organisational details	Corporate Governance Report	●	Fazerintie 6 PO Box 4 FI-00941 HELSINKI FINLAND
2-2	Entities included in the organisation's sustainability reporting	Annual review: Reporting principles	●	Reporting period: 1 January–31 December 2023 Report publication date: 29 February 2024
2-3	Reporting period, frequency and contact point	GRI index	●	Contact point: Joséphine Mickwitz, josephine.mickwitz@fazer.com
2-4	Restatements of information	Annual review: Reporting principles	●	
2-5	External assurance		●	Limited assurance for food loss and emissions related data has been conducted linked to revolving credit facility (RCF) agreement.
Activities and workers				
2-6	Activities, value chain and other business relationships	Annual review: Fazer in brief 2023; Sustainability at our core; Stakeholder engagement	●	
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	Corporate Governance Report; Financial review: Board of Directors' Report	●	
2-10	Nomination and selection of the highest governance body	Corporate Governance Report	●	
2-11	Chair of the highest governance body	Corporate Governance Report	●	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	Corporate Governance Report; Financial review: Board of Directors' Report	●	
2-13	Delegation of responsibility for managing impacts	Financial review: Board of Directors' Report; Annual review: Managing our sustainability	●	

GRI Standards disclosure	Location (2023)	Reported fully ● partially ◉	Comments (2023)
2-14 Role of the highest governance body in sustainability reporting	Financial review: Board of Directors' Report	●	
2-15 Conflicts of interest	Corporate Governance Report	●	
2-16 Communication of critical concerns	Corporate Governance Report; Financial review: Board of Directors' Report	●	
2-17 Collective knowledge of the highest governance body	Financial review: Board of Directors' Report	●	
2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report	●	
2-19 Remuneration policies	Corporate Governance Report	●	
2-20 Process to determine remuneration	Corporate Governance Report	●	
2-21 Annual total compensation ratio	Corporate Governance Report	●	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: CEO's review	●	
2-23 Policy commitments	Financial review: Board of Directors' Report; Annual review: Managing our sustainability	●	Fazer's policies can be found online .
2-24 Embedding policy commitments	Financial review: Board of Directors' Report; Annual review: Managing our sustainability	●	
2-25 Processes to remediate negative impacts	Financial review: Board of Directors' Report; Annual review: Sustainable Sourcing, People and Well-being	●	
2-26 Mechanisms for seeking advice and raising concerns	Financial review: Board of Directors' Report	●	
2-27 Compliance with laws and regulations	GRI index	●	There have been no significant instances of non-compliance to laws and regulations during 2023.
2-28 Membership associations	Annual review: Memberships and initiatives	●	
Stakeholder engagement			
2-29 Approach to stakeholder engagement	Annual review: Stakeholder engagement	●	
2-30 Collective bargaining agreements	Annual review: People and Well-being	●	

GRI Standards disclosure	Location (2023)	Reported fully ● partially □	Comments (2023)
GRI 3: Material Topics (2021)			
3-1 Process to determine material topics	Annual review: Managing our sustainability	●	
3-2 List of material topics	Annual review: Managing our sustainability	●	
3-3 Management of material topics	Annual review: Managing our sustainability; 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 in brief, Sustainability at our core	●	
GRI 203: Indirect economic impacts (2016)			
203-2 Significant indirect economic impacts	Financial review: Board of Directors' report; Annual review: CEO's review; Sustainability at our core	●	
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: 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 (2023)	Reported fully ● partially □	Comments (2023)
GRI 304: Biodiversity (2016)				
304-2	Significant impacts of activities, products, and services on biodiversity	Annual review: Sustainable Sourcing	□	Fazer's main indirect impacts to biodiversity occur in its supply chain, in connection to the farming of the raw materials. 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	Annual review: Climate and Circularity, Reporting principles	●	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, Reporting principles	●	See comment above.
305-3	Other indirect (scope 3) GHG emissions	Annual review: Climate and Circularity, Reporting principles	●	See comment above.
305-4	GHG emissions intensity	Annual review: Climate and Circularity, Reporting principles	●	See comment above. Organisation-specific metric is produced tonnes.
GRI 306: Waste (2020)				
306-1	Waste generation and significant waste-related impacts	Annual review: 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				
GRI 308-1	New suppliers that were screened using environmental criteria	Annual review: Climate and Circularity, Sustainable Sourcing	□	
SOCIAL STANDARDS				
GRI 403: Occupational health and safety (2018)				
403-1	Occupational health and safety management system	Annual review: Managing our sustainability, 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.

GRI Standards disclosure		Location (2023)	Reported fully ● partially ◉	Comments (2023)
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	Annual review: People and Well-being	◉	See comment above. The total rate of accidents has been reported.
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, Sweden, Estonia, Latvia and Lithuania for classroom training hours.
GRI 405: Diversity and equal opportunity (2016)				
405-1	Diversity of governance bodies and employees	Corporate Governance Report; 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.
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Financial review: Board of Directors' report; Annual review: Managing our sustainability	◉	
GRI 417: Marketing and labelling (2016)				
417-3	Incidents of non-compliance concerning marketing communications	Annual review: Managing our sustainability	●	
Fazer's own indicators				
Plant-based products in offering		Annual review: Fazer's path forward; Sustainability at our core; Managing our sustainability; Sustainable Products and Innovations		
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 at Fazer, Sustainability at our core, Climate and Circularity		
Food technologies		Annual review: Managing our sustainability		



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