



Fazer Group's Annual Review 2020



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Year in Brief


Our Year in Brief

In 2020, we focused on the implementation of our strategy. Despite the exceptional circumstances in our operating environment brought on by the COVID-19 pandemic, our overall business performance was good, and we succeeded in achieving several significant milestones in our strategy, in which innovations and foodtech play an important role.

At the beginning of the year, we finalised the sale of Fazer Food Services enabling us to strongly focus on fast-moving consumer goods (FMCG). In the spring, Fazer Retail became part of Fazer Confectionery, allowing us to better use the cafés and shops to strengthen our consumer dialogue and to introduce novelties and other Fazer products.

In early 2020, we acquired Vuohelan Herkku, a Finnish company specialised in gluten-free baking. The acquisition made us one of the biggest players in the gluten-free bakery market in Finland. The integration of Kaslink, acquired in 2019, was completed.

The construction of our oat-based xylitol factory in Lahti, Finland proceeded, and production will start in 2021. Furthermore, we initiated a programme to invest in increasing our oat milling capacity in Lahti, Finland and Lidköping, Sweden. We made a further investment in Solar Foods and became the largest shareholder of this exciting foodtech company.

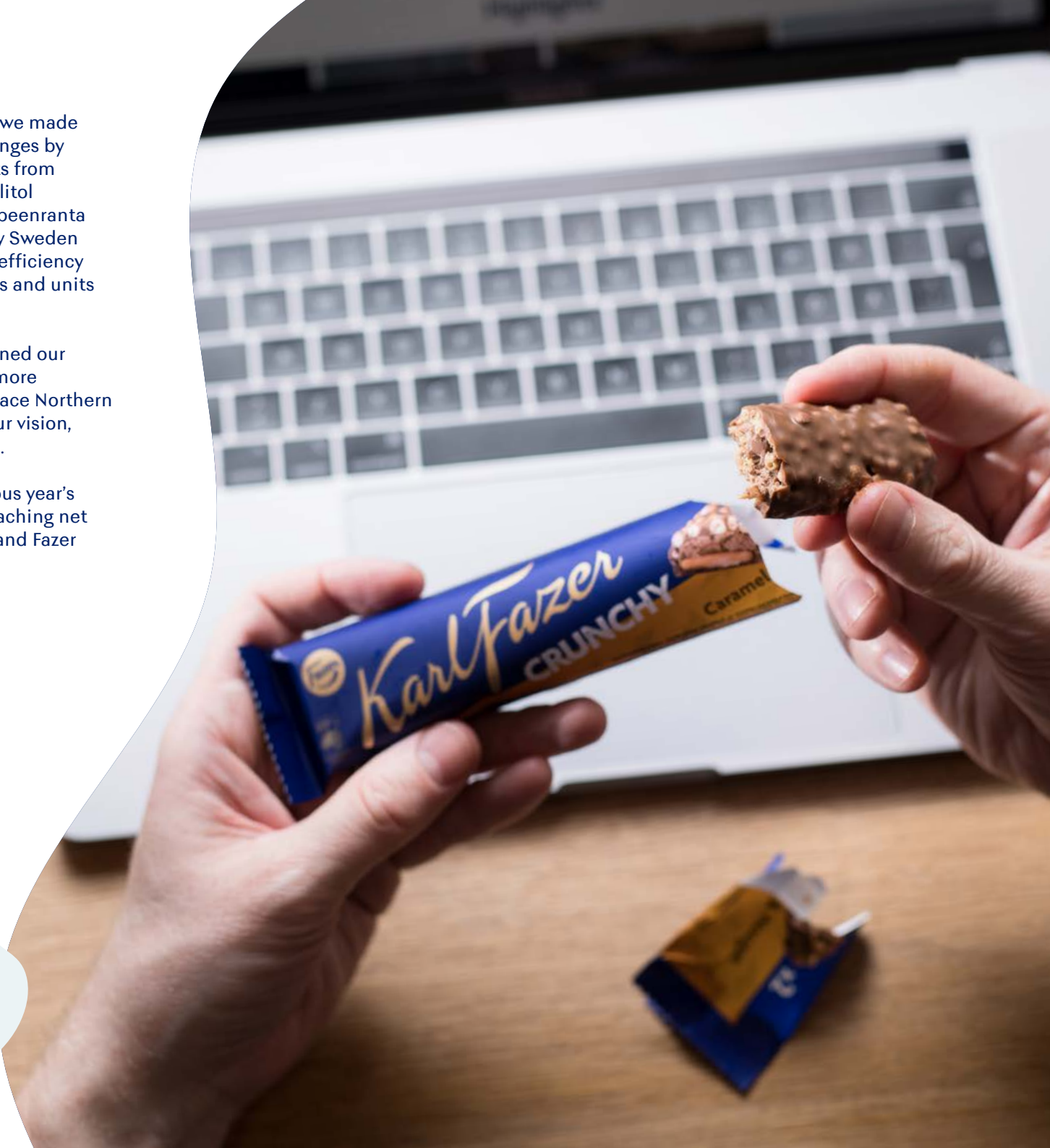


In 2020, we succeeded in several significant milestones in our strategy, in which innovations and foodtech play an important role.

In order to increase the efficiency of our operations, we made the decision to implement significant structural changes by transferring the production of our non-dairy products from Kaarina to the Korja factory and the production of xylitol pastilles and chewing gums from Karkkila to our Lappeenranta factory. The transformation initiatives in Fazer Bakery Sweden and Fazer Bakery Russia progressed well and several efficiency improvement initiatives were carried out in functions and units across the Group.

We sharpened our Consumer First approach and aligned our company values with our brand promise to be even more meaningful and relevant to the consumers. We embrace Northern Liberty, True Relationships and Fearless Creativity. Our vision, Towards Perfect Days, describes our shared direction.

Fazer Group's net sales remained stable at the previous year's level and were 1,101 M€ in 2020, with Fazer Bakery reaching net sales of 548.6 M€, Fazer Confectionery of 400.1 M€, and Fazer Lifestyle Foods of 176.7 M€.



Strong performance in challenging operating environment

Fazer's resilience to the pandemic combined with profitability improvement efforts resulted in strong financial performance for 2020.

The year 2020 was clearly defined by the global pandemic and related disruptive challenges. All our markets were impacted by the COVID-19 pandemic. The businesses most severely affected were our retail business, including the Fazer Cafés and the Gateau bakery shops, Fazer Confectionery's Travel Retail, and the frozen bakery business. On-the-go categories declined as consumers reduced their everyday travelling and commuting. Thanks to several efficiency improvement initiatives and the agility and professionalism of our people, we were able to ensure business continuity, help society and support our customers. Taking the dramatic crisis and downturn into consideration, I am very proud of our performance in 2020. The resilience that our business showed, in combination with our profitability improvement efforts especially in the bakery businesses in Russia and Sweden, resulted in good financial performance for 2020. Our net sales remained stable at the previous year's level and our profitability improved.

The sale of Fazer Food Services at the beginning of the year marked the beginning of our journey towards an integrated FMCG company. In 2020, several measures were taken to drive operational excellence, synergies and value. We started the implementation of a new operating model including changes in the commercial organisation, in marketing and in procurement, as well as reorganising Group functions. In addition, actions to increase efficiency in manufacturing included the decision to transfer the production of xylitol pastilles and chewing gum from the factory in Karkkila to Lappeenranta and the production of Fazer Yosa oat products from Kaarina to Korja in Finland.



Group President and CEO Christoph Vitzthum: "Fazer's resilience to the pandemic combined with profitability improvement efforts resulted in strong financial performance for 2020."

We also continued to execute our growth strategy in accordance with our updated vision Towards Perfect Days. During the year, Fazer Bakery and Fazer Confectionery continued strengthening their market positions, especially in Finland, but also in other home markets. Fazer Bakery's turnaround projects in Russia and Sweden progressed with good results, supporting the good financial development of the Group.

The turnaround work continues both in Sweden and Russia, and on February 2021, we announced the introduction of a new operating model in Fazer Bakery Sweden. The new model includes a re-seller and co-distribution agreement with the Swedish bakery sales company Polfärskt and reduces the number of our bakeries from four to three. The new distribution model will increase our agility and service levels for customers while, at the same time, being environmentally more sustainable.

Our ambition is to become one of the leading plant-based players in Northern Europe by continuously identifying new categories and growing current ones. By investing in innovations and foodtech, Fazer strengthens its focus on the sustainable food solutions of the future.

In 2020, the construction of Fazer's xylitol factory continued. The factory is unique. It utilises oat hulls that are generated as side stream of the oat milling process, to produce xylitol with state-of-the-art technology. We are extremely proud of the fact that the factory, applying the principles of circular economy and Fazer's strategic focus on innovations, has been recognised by the Finnish Food and Drink Industries' Federation, who awarded the factory the Star Act 2020 in November 2020. The factory will be inaugurated in 2021.

During the year, Fazer increased its shareholding in Solar Foods and became the company's largest shareholder, with a 15% ownership stake. Solar Foods is a Finnish foodtech start-up, which has developed a novel protein ingredient, Solein®, from CO₂.

To meet the growing demand for oats and to provide top-quality ingredients for our businesses, we are doubling our oat milling capacity in Lahti, Finland and Lidköping, Sweden in 2021. Oats will continue to be at the core of the Fazer Lifestyle Foods' business and an important ingredient in especially the bakery business. The use of oats in various categories will develop. A great example of a true innovation that responds to the needs of the consumers is the Fazer Oat Rice, which was launched in all Nordic countries in 2020. The novelty innovation was awarded the Swedish Food Award Livsmedelspriset 2020. Strong focus will remain on the non-dairy, plant-based meals and breakfast categories.

Systematic R&D work contributes to a wide portfolio of innovations to further build on. Selected acquisitions play a key role in the realisation of the growth plan.

Fazer, celebrating its 130th anniversary this year, is financially strong and has a clear strategy for the future. We have high growth ambitions going forward, which could also open up for a potential broadening of the shareholder base through a public listing at some point in the future. In the coming years, we are seeking growth both organically and through various smaller and bigger transformational M&A opportunities. We will continue focusing on our four strategic growth areas: leveraging the leading FMCG brand to strengthen our position in Finland, accelerating growth through innovations, on-trend categories and foodtech, developing leading positions in Northern Europe as well as driving operational excellence and enabling industry leading profitability. Sustainability is an integral part of our strategy, and we will continue developing the sustainable food solutions of the future to benefit people and the planet.

Our success in 2020 and the progress in executing our strategy would not have been possible without the strength, passion and determination of all our great people. Together, we will continue building on the four cornerstones of our strategy, developing our culture to further support our transformation journey and work decisively towards realising our commitment to the Science Based Targets Initiative, which will guide our work in reducing the greenhouse gas emissions. We expect Fazer's net sales to improve in 2021 compared to the previous year, assuming that the development of the COVID-19 pandemic and the general economic climate will not deteriorate. We will monitor the situation closely and act with similar decisiveness and agility as in 2020.

Last, but by no means least, I would like to thank all our customers, partners and stakeholders for their engagement and support in 2020.

Christoph Vitzthum
President & CEO
Fazer Group

Operating environment

We, as The Food Experience Company, bring joy and well-being through our high-quality products and services to people in the Nordics, Baltics, Russia and beyond to some 40 different countries. We focus on the bakery, confectionery, non-dairy and plant-based food markets. We are also a major player in the Nordic grain milling market and increasingly in foodtech. Changing economic conditions, market developments, consumption trends and consumer behaviour impact our business and operations.

The COVID-19 pandemic impacted all aspects of life – public health, household consumption and disposable income, employment, travel, and social contacts. The FMCG sector was severely affected and companies had to adapt quickly to changing circumstances and regulations as well as anticipate shifts in consumer demand.

Changing consumer behaviour in all markets

Consumer behaviour changed in several ways due to the COVID-19 pandemic. The duration of the pandemic may define whether these are temporary changes or more permanent ones. The most pronounced change was the increase of meals eaten at home while restaurants were either closed or avoided. Social distancing also brought a substantial increase in online shopping and food deliveries.

Certain trends which existed pre-COVID have experienced a clear acceleration but also polarised some consumption drivers. Well-being as a trend has been growing for years, and further accelerated as people increasingly acknowledged the role of food as a part of a healthy lifestyle. Still, with fewer sources of indulgence available, comforting foods also gained popularity. Hygiene quickly became a preference driver which impacted e.g. unpacked products such as pick 'n' mix sweets.





Economic uncertainty raised the level of price sensitivity, a trend seen also in previous crises, as the popularity of value alternatives increased. Locally produced food and raw materials continued to appeal to consumers looking for transparency and safety, a development that was further supported by domestic travel.

Impact from currency exchange rates

Currency exchange rates impacted net sales development negatively, mainly due to the weakened Russian rouble. Changes in exchange rates affected e.g. the costs of goods sold for Fazer Confectionery in Sweden and Russia. Cocoa purchases, which are denominated in pound sterling, were also affected.

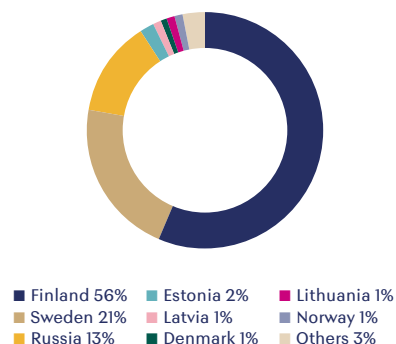
Market growth in bakery, confectionery and non-dairy

In Finland, the bakery market turned back to growth towards the end of the year. The bake-off market recovered fast, while the fresh pre-packed market performed strongly throughout the year. In Sweden, the market grew every month since the start of the COVID-19 pandemic. In Russia, the market started to gradually recover in the third quarter. Lower price segments continued growing in the Baltic countries and Russia.

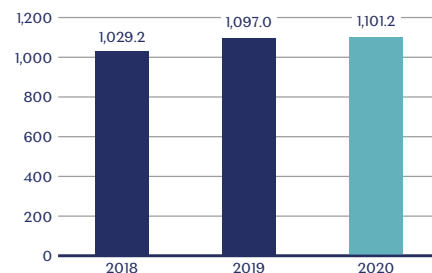
The confectionery market grew in Finland and Sweden. In Finland, Fazer's market share remained close to last year's level, and in Sweden, Fazer gained market share. Travel Retail was in a standstill due to the COVID-19 travel restrictions. In Fazer Retail, remote working, restrictions and recommendations on gatherings together with general cautiousness affected store traffic especially in city centres and malls. In Fazer Lifestyle Foods, the non-dairy market continued to grow, and the breakfast category strengthened. Demand for oat and rye flour remained strong in the milling business. The smoothie category declined particularly in the on-the-go channels as consumers reduced their everyday travelling and commuting.

Key figures

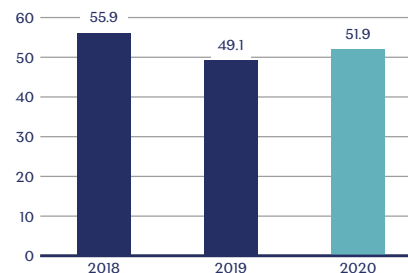
Group net sales by country, M€



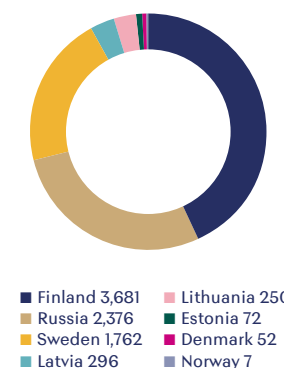
Group net sales, M€



Group operating profit, M€



Employees by country



Fazer Group's net sales 2020

1,101.2M€

Fazer Group's operating profit 2020

51.9M€

Fazer Group's employees 2020

8,496



Year in Brief

Highlights in 2020

In 2020, we focused on strategy implementation across all our businesses, and functions. Despite the exceptional circumstances caused by the COVID-19 pandemic, our overall business performance was good.

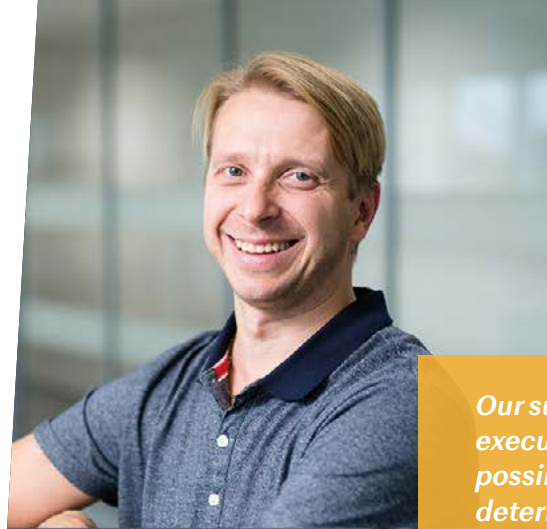
Ensuring the health and safety of our personnel during the COVID-19 pandemic was of utmost importance. We took decisive actions to secure our ability to operate and execute normally in all our production sites, in all countries.

The completion of the sale of Fazer Food Services at the beginning of the year allowed us to increase the focus on implementing our FMCG strategy and its execution as well as to strengthen our market positions.

We acquired Vuohelan Herkku, a Finnish company with expertise in gluten-free baking. The acquisition allowed us to further strengthen our market position in Finland as one of the biggest players in the gluten-free market.

The construction of our new xylitol factory, which turns non-edible side streams from oat milling into high value products, progressed as planned. The investment exemplifies our work to promote circular economy.

Our company values were aligned with our brand promise and our behaviours were renewed. Fazer's new values are Northern Liberty, True Relationships and Fearless Creativity, and we make them come to life in everything we do.



Our success in 2020 and the progress in executing our strategy would not have been possible without the strength, passion and determination of all our great people.



The strategic partnership with Solar Foods continued. Fazer is the company's largest shareholder.

To further accelerate our growth, we strengthened our consumer centric-approach in order to be even more meaningful and relevant to consumers. We closely study changes in the consumer habits to answer to evolving product and service demand.

Ongoing turnaround programmes in Fazer Bakery Sweden and Russia progressed successfully with a positive impact on profitability.

We launched innovative novelties across our categories, including the dairy-free OatChoco chocolate, the Kiireetön family of premium-quality bake-off breads and the Oat Rice meal component.

Fazer received several external recognitions, including the Swedish Food Award 2020 for Oat Rice, the Finnish Star Act 2020 award for the oat xylitol factory and the Tuttir Frutti TikTok campaign winning Gold in the Finnish Comms Awards.



An excellent example of our Fearless Creativity: We saved 100,000 kg of frozen bakery products originally intended for hotels and restaurants from going to waste by organising a drive-in bakery shop for consumers in Vantaa and Lahti, Finland.

This is Fazer

The Food Experience Company

Fazer, the Food Experience Company, creates joy and well-being.

The story of Fazer began almost 130 years ago, when Karl Fazer opened his first café in Helsinki. Over the decades, Fazer has grown into an international Food Experience Company. Combining much loved and cherished brands with an unending curiosity for new tastes, we are guided by our values: Northern Liberty, True Relationships and Fearless Creativity.

We work together to fulfil our mission: Food with a purpose. Whether it is a nourishing breakfast, a quick snack in the afternoon or a sweet treat in the evening, Fazer's products bring joy and well-being into people's everyday lives. Sustainability is at the core of everything we do. Our strong consumer centric approach and sharpened focus on fast-moving consumer goods allow us to craft the tastes of today, while already exploring those of tomorrow. We aim Towards Perfect Days, bringing our vision to life.



Our strong consumer-centric approach and sharpened focus on fast-moving consumer goods allow us to craft the tastes of today, while already exploring those of tomorrow.



This is Fazer

Mission and Vision

By providing Food with a purpose, as is our mission, Fazer embraces joy, health and well-being in everyday lives while doing good for the planet. Our vision, Towards Perfect Days, takes us on a shared journey to bring memorable moments and new food experiences to people.

Food is a source of joy, nourishment, health and inspiration. When we create food experiences, we carefully consider the needs and preferences of consumers. Their evolving tastes and consumption habits guide our product development and encourage us to innovate tomorrow's delights.

As the global food system evolves in response to population growth, we are taking part in that change. We want to do our share in providing people with sustainably produced food that enhances well-being. At the same time, we want to create moments of joy – today, tomorrow and in the far future.

Our mission: Food with a purpose

Our mission, Food with a purpose, describes our reason for being. We are The Food Experience Company, and our commitment is reflected in this mission. We take pride in our craft and create each bread, chocolate tablet and smoothie with love and dedication. We want consumers to enjoy every taste and scent.

We create products and services that people enjoy and appreciate. Our healthy, tasty and sustainable offering brings convenience into hectic lives. Whether people need a quick break with a wholesome snack, or a moment of indulgence shared with friends, we will provide it. In everything we do, we consider the impacts we have on people, the planet and business.



**Food with
a purpose**

Our vision: Towards Perfect Days

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

True to our purpose, we create food experiences and new traditions for sustainable lifestyles. We enable individual choices and experiences that bring joy and well-being. We make magic happen through authentic food experiences and innovations while staying true to our values and heritage.



Towards Perfect Days

This is Fazer

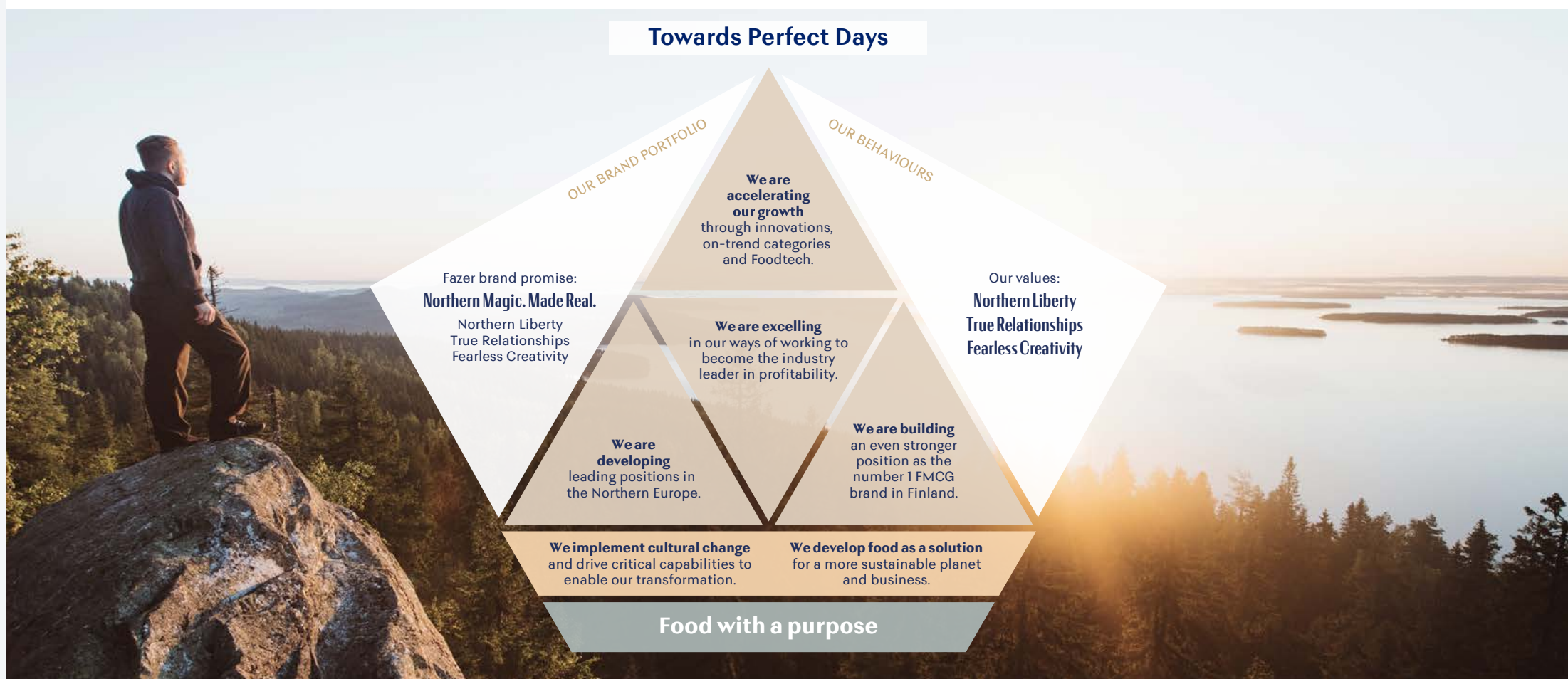
Strong focus on strategy implementation

Fazer is The Food Experience Company, with strong focus on value creation. By implementing our strategy, we are strengthening our position as a leading FMCG company.

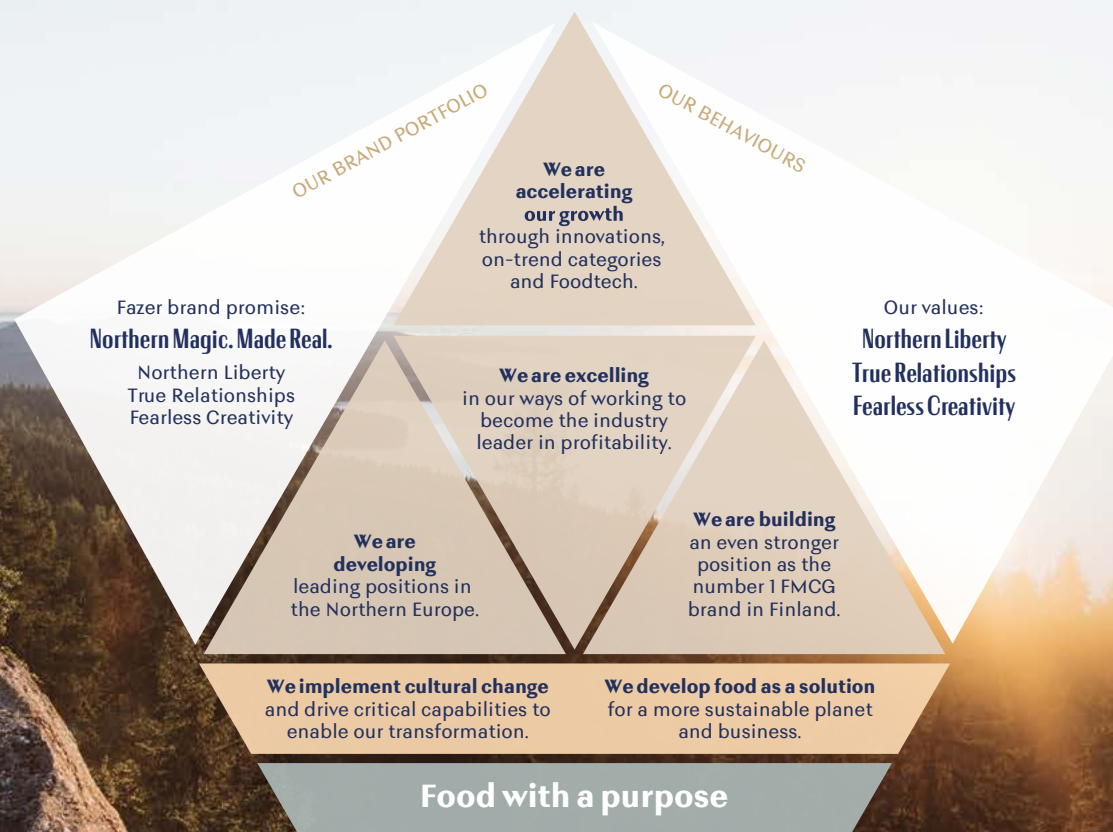
2020 was a year of active strategy implementation for us and we made progress across all our businesses and functions.

We updated our strategy in 2020 to better respond to evolving consumer needs and the changing food system. Four cornerstones guide us on our journey:

- *We are building an even stronger position as the number 1 FMCG brand in Finland.*
- *We are developing leading positions in Northern Europe.*
- *We are accelerating our growth through innovations, on-trend categories and foodtech.*
- *We are excelling in our ways of working to become the industry leader in profitability.*



Towards Perfect Days



Food with a purpose

Our strategy underpins our mission, Food with a purpose, and takes us Towards Perfect Days, our vision. The strategy execution is supported by our brand promise: Northern Magic. Made Real., visible throughout our portfolio and brands. The Fazer brand promise is also reflected in our recently updated company values: Northern Liberty, True Relationships, and Fearless Creativity.

With our updated strategy and recent progress in strategy execution with the sale of the Fazer Food Services business area, we are targeting to increase our market shares in our core markets and categories with organic growth boosted by acquisitions, and an improved EBITDA margin. The profitable growth and our solid balance sheet will secure a competitive dividend yield with a pay-out ratio of >50%.

Our strategy is built on our strengths and is fearlessly forward-looking. We actively seek and seize opportunities across our current categories and beyond.

Building an even stronger position as the number 1 FMCG brand in Finland.

Fazer is the leading FMCG brand in Finland based on leadership in several categories including confectionery, bakery, biscuits, smoothies, and breakfast products. We continue to further strengthen our position as the #1 FMCG brand by matching our beloved product portfolio and new innovations with evolving consumer needs. We continue to leverage our role as a reliable brand and partner and to deepen our strategic partnerships with key customers. To ensure an even stronger position on the Finnish FMCG market, we built a unified field sales organisation and started a cross-company marketing transformation programme in 2020.

Developing leading positions in Northern Europe

Our Finnish heritage is backed by a range of strong and developing positions across our key Northern European markets. The sole aim is to further strengthen and continue to build additional strongholds outside of Finland and to become a strategic partner for Northern European retailers.

Our solid basis, consisting of several top category positions in the Nordics, Russia and the Baltics, brings execution power and speed while we continuously seek new ways to become top-of-mind for an ever-increasing number of Northern European consumers. To drive us on this journey, we have unified selected commercial functions starting from Sweden, Norway and Denmark to leverage the true benefits of Fazer as a FMCG company.

Accelerating our growth through on-trend categories, foodtech and innovations

A sharpened focus means clarified ways of growing for us. Our growth comes especially from on-trend categories, innovations and foodtech. This means that we anticipate consumer needs, that we combine our unique consumer proposition with innovations to explore on-trend categories and that we seize the first-mover advantage in our core know-how areas related to foodtech.

Foodtech drives change across the food industry and has given rise to unprecedented levels of innovations and new ideas. Founded on our strengths, Fazer is taking a leading role in foodtech development. In addition to our Xylitol factory in Lahti, Finland, which uses oat hulls as raw material, we are constantly developing a broad range of foodtech initiatives in accordance with our foodtech agenda and innovation leadership in oats.

In 2019, we partnered with Solar Foods to jointly research and develop the company's novel protein ingredient Solein®. The strategic partnership continues and was followed by an investment round in August 2020 where we acted as the lead investor and became the largest shareholder of the company.

The acquisition of Vuohelan Herkku in January 2020 provided us with a larger exposure to the gluten-free market, enabling us to become one of the largest players in the Finnish gluten-free bakery market.

The Fazer Retail business comprising Fazer Cafés and Gateau artisan bakery shops became part of the Fazer Confectionery business area in 2020. This move supports us in strengthening our consumer dialogue and in enabling a more efficient introduction of novelties and other Fazer products in our direct-to-consumer channels.

Excelling in our ways of working to become the industry leader in profitability

The sale of Fazer Food Services in early 2020 increased our focus and strategy execution power as an integrated FMCG company. We put a stronger emphasis on unified ways of working and operational excellence across functions.

Going forward with a clarified FMCG focus requires us to have the right capabilities and a culture that fuels innovation, engagement and ownership. We place great emphasis on developing key competences, engaging our people, fostering individual accountability, developing future leaders of Fazer and embracing continuous learning.

In 2020, we have also started a group wide procurement transformation programme, unifying our ways of working and extracting synergies across our businesses. In addition, we continued to rationalise our manufacturing footprint through some significant changes, including transferring the non-dairy production from Kaarina to Korja and the pastille and gum production from Karkkila to our factory in Lappeenranta.

In the beginning of 2021, we further announced the introduction of a new operating model in Fazer Bakery Sweden. The new model includes a re-seller and co-distribution agreement with the Swedish bakery sales company Polfärskt and reduces the number of our bakeries from four to three.

Ability to execute during unpredictable circumstances

Rapid and unforeseen changes in consumer behaviour caused by the COVID-19 pandemic changed the demand picture. New ways of working had to be swiftly adopted. Nevertheless, we were able to proceed with our strategy execution with full steam. Our Consumer First approach proved critical as we closely examined changes and alternative scenarios for future consumer demand and started to implement them.

The exceptional circumstances truly highlighted the resilience and relevance of our strategy as well as our organisation's ability to execute in times of change.



This is Fazer

Fazer creates value

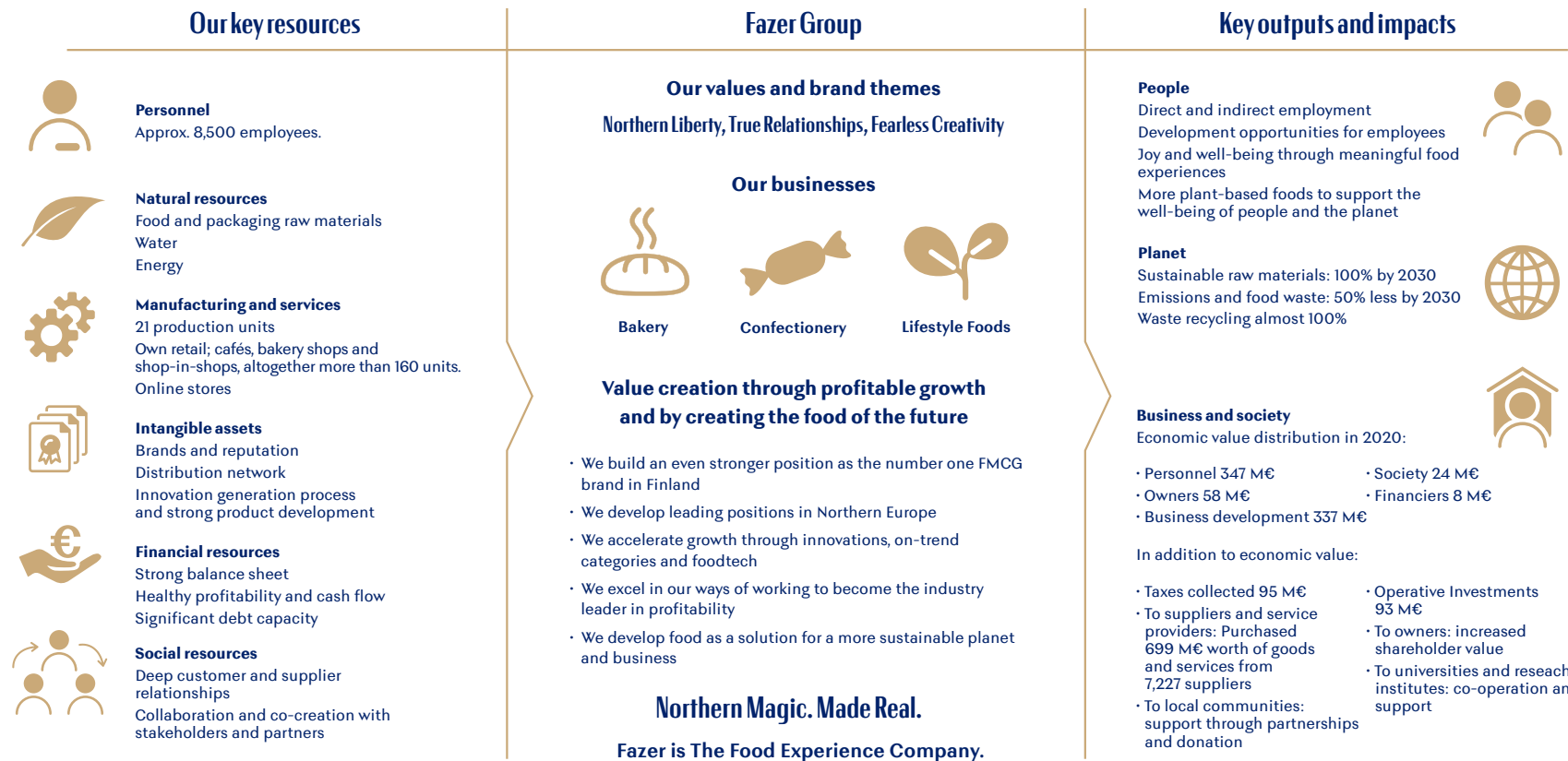
Fazer's value chain includes stakeholders from suppliers to customers, shareholders, consumers and employees. We create shared value as a Group and through our businesses.

When we create memorable food experiences, we also create value for all our stakeholders. Suppliers, partners and service providers are part of our value chain, contributing to and benefiting from our work. We pay taxes and provide employment in all our operating countries. Through our

sustainable way of operating and our investments in plant-based foods and foodtech, we also create value for the planet.

Reducing environmental impacts is an essential goal in all our operations. Through meticulous supply chain management, we secure raw materials, resources and services that are produced in a fair and resource-efficient way, taking environmental aspects into consideration at every step. Profitable business allows us to invest, expand and grow.

Factors that affect our value creation include changes in the operating environment, megatrends, risks, opportunities and governance. We carefully consider the influence of such changes on our business.



Economic value includes Food Services, which was sold in January 2020

This is Fazer

Renewed values make Fazer unique

In 2020, we renewed Fazer's values and behaviours. During the year, we have engaged all our employees in making these new values come to life in our everyday work.

Our new values are Northern Liberty, True Relationships and Fearless Creativity. These three themes were already launched in 2019 as our brand themes. Now, they are a bridge that connects in a unique way the consumer experience we want to create and the employee experience we share as we craft our products and services. This is Northern Magic. Made Real.

We held discussions in all our countries to engage people and bring these new values to life. Meetings were attended by employees across the whole organisation. We received valuable feedback and used it to finalise the new behaviours.

Fazer behaviours bring our values to life

Our new behaviours support the realisation of our values. They create a clear path to follow and allow us to find and release our potential. By applying them in our daily tasks as well as our encounters with each other, we can build an even stronger, more innovative work culture that inspires us to do our best every day.

Northern Liberty is a strong statement. We embrace the freedom to be who you are and make your own choices in life. We cherish diversity and inclusion, and we respect the human rights of everyone, from employee to consumer, from farmer to shareholder. Our Cocoa Farmer programme and the 125 Opportunities for Working Life programme for people with difficulty finding employment are some of the ways in which we implement Northern Liberty.

Fearless Creativity drives us forward. It encourages us to try new things and explore new ideas, even wild ones. Innovation is born out of courage, and by daring to make our voices heard, we can come up with truly special products that surprise and delight our consumers. In 2020, Fearless Creativity was reflected in delicious new treats such as the celebrated Oat Choco, and in introducing concepts such as the Fazer Bakery Drive-In Store in Finland.

True Relationships are what binds us together. We want to do good for people and the planet. We build relationships not only with each other in factories and offices, but with our customers and consumers, raw material producers, service providers and other stakeholders. We are part of a community that works towards shared goals – our sustainability work is a good example of this.





Fazer behaviours bring
our values to life

We make magic happen

- *We reach high and let our passion show*
- *We focus on what is meaningful for consumers and creates growth and profit for Fazer*
- *We take pride in fulfilling our commitments*

Fazer behaviours bring
our values to life

We improve every day

- *We take risks and see mistakes as opportunities to learn*
- *We explore fearlessly to find the best solutions*
- *We are agile and embrace change as an opportunity to do things better*

A man in a light blue button-down shirt is smiling and looking towards a woman in a yellow top. They appear to be in a meeting or collaborative work environment. The man has his hands clasped in front of him. The woman is partially visible on the right side of the frame, also smiling.

Fazer behaviours bring
our values to life

We win as one Fazer

- *We show trust in each other and value team over individual success*
- *We welcome everyone as they are and encourage different views and feedback*
- *We collaborate with colleagues across Fazer*

This is Fazer

Our brand promise

Fazer's brand promise Northern Magic. Made Real. defines us and our strong relationship with the consumers. An important focus area for Fazer on our journey Towards Perfect Days is to truly become consumer first. By creating value for consumers, we also create value for our business and customers.

Our brands are integral in making our vision, Towards Perfect Days, a reality. For some, a perfect moment may stem from freshly baked and handmade artisan bread. For another, the familiar taste of Karl Fazer chocolate may bring comfort and fond memories. Or perhaps the plant-based Fazer Yosa delicacies are the favourites that make a consumer's day. We value both tradition and innovation.

Strengthening the Fazer brand is part of our strategy implementation and supports us as we solidify our position as the number one FMCG brand in Finland and continuously develop our position in Northern Europe. Our target is to build an emotional bond with the consumers as we work towards being present in all the memorable moments that can make a perfect day. In 2020, we re-designed ourselves to further develop the Fazer brand from a consumer centric perspective. The aim is to strengthen our efforts in communicating Fazer's brand promise to consumers and to become even more meaningful and relevant to them.

Brand themes connect us to consumers

In 2020, we have made our brand promise come to life in all Fazer businesses. Northern Magic. Made Real. is something we are all proud of and it makes us unique. We build on consumer needs and values and develop together with them, in constant dialogue. The three Fazer brand themes, Northern Liberty, True Relationships and Fearless Creativity, were also adopted as company values, creating an even stronger connection between our brand position, the consumers and our personnel. The aim is to connect our promise to consumers with real actions, through the behaviour of our employees. This is our way of ensuring that the brand promise to our stakeholders is made real.



Our brands are integral in making our vision, Towards Perfect Days, a reality. Fazer's brand promise Northern Magic. Made Real. defines us and our strong relationship with the consumers.

While the Fazer master brand and the brand promise Northern Magic. Made Real. are at the heart of our brand portfolio, we are a house of nearly a hundred other beloved local and international brands. Our wide brand portfolio is one of the cornerstones of our success.




Our businesses

Our businesses

We, as The Food Experience Company, bring joy and well-being through our high-quality products and services to people in the Nordics, Baltics, Russia and beyond to some 40 different countries. We focus on the bakery, confectionery, non-dairy and plant-based food markets. We are also a major player in the Nordic grain milling market and increasingly in foodtech. Through our businesses, we are present in memorable occasions as well as in everyday moments of the consumers.

Fazer's businesses allow us to cater to the different and evolving tastes and preferences of consumers. The scent of freshly baked bread or a beautifully decorated, delectable cake are Fazer Bakery's ways of delighting people. When a box of chocolates is opened or a bag of sweets shared among friends, Fazer Confectionery takes a bow. Fazer Lifestyle Foods keeps people going throughout the day with delicious plant-based foods, answering the changing eating habits of consumers.

We are a market leader, trend setter and the number 1 FMCG brand in Finland, doing our part to develop the entire food industry. We aim to achieve leading positions throughout Northern Europe while accelerating our growth through innovations, on-trend categories and foodtech. We form true relationships with our consumers and customers, anticipating and answering their needs and desires. We embrace fearless creativity while honouring our traditions.



We focus on the bakery, confectionery, non-dairy and plant-based food markets, catering to the different and evolving tastes and preferences of consumers.

Our businesses

Fazer Bakery: Taste sensations crafted with loving care

Fazer Bakery crafts tasty and versatile breads as well as delectable sweet pastries and cakes. Alongside our highly valued and well-established product portfolio, we also create new and tempting novelties in packed, frozen and freshly baked shop-in-shop ranges. We offer delicious baked goods for every taste.

In 2020, the trends impacting the bakery business included consumers favouring local production and raw materials. The artisanal trend continued to grow at a steady pace, and craftsmanship was appreciated. Holistic well-being remained a significant factor in food choices, and consumers looked for health benefits in bread. The popularity of oats continued, and sustainability remained high on consumers' agenda.

Performance in 2020

Fazer Bakery's net sales remained at previous year's level. With sales adjusted for exchange rate impacts, the development was positive in all other markets than in the Baltics. The demand for both prepacked and artisanal type of bread continued to grow, whereas the frozen bakery sales to hotels and restaurants were below previous year due to the pandemic. Increased price-sensitivity affected markets in Russia and the Baltics.

Fazer is the market leader in the Finnish bakery business and continued to steadily increase its market share. The growth can be attributed to a number of factors – our established portfolio of packed products and strong brands, innovative novelty launches, excellent cooperation with retailers and the growing network of shop-in-shop bakeries, of which we had 105 at the end of 2020.



In early 2020, we expanded our offering and expertise in gluten-free baking by acquiring the Vuohelan Herkku bakery. With the acquisition, Fazer took over a new and modern gluten-free bakery in Lahti and a gluten-free mill in Joutsa. The acquisition is part of our strategy implementation and further strengthened our position as the leading Finnish FMCG brand.

In Finland, the demand for packed bread increased drastically as soon as the COVID-19 pandemic started: our production and logistics were able to react quickly ensuring continued excellent service. Sales of frozen products were heavily impacted as restaurants and hotels faced restrictions and closures. Demand slowly improved towards the end of the year but did not fully recover.

Throughout the year, we implemented turnaround programmes in the Swedish and Russian bakery businesses. These measures were very successful in improving our profitability in accordance with our strategic targets.

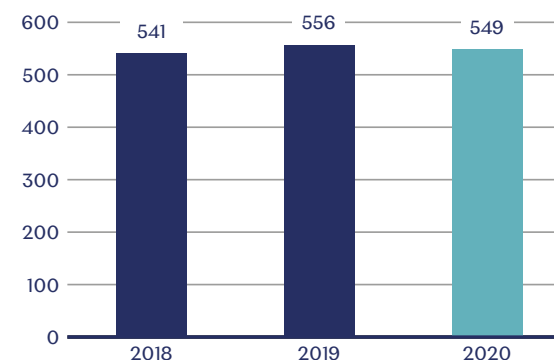
In Sweden, financial results exceeded the previous year due to increased sales and efficient cost control but still remained unsatisfactory. Sales increased in all channels as a result of strong product launches in strategic segments and good development in export. The Swedish team was rewarded with the nomination of #1 bakery business partner in Sweden by our customers, with special recognition for our ability to deliver. Production performance developed strongly, surpassing all KPIs towards the end of the year.

We were able to strengthen our market position in Russia. Bake-off bread saw double-digit growth, and we increased sales in the e-commerce channel and launched our own online shop. Fazer in Russia was one of the two companies to receive an official letter of gratitude signed by the Governor of St. Petersburg for support to the city and its population during the pandemic.

In the Baltics, financial insecurity caused by the COVID-19 pandemic shifted consumer interest from premium towards more mainstream products. The market situation in Baltic retail was undergoing a change, with new players giving rise to fierce price competition. Cooperation with a major customer was intensified and efficiency improved in connection with an operating model review. Two new shop-in-shop bakeries were opened in Estonia, where we had 5 shop-in-shops in total at the end of the year.

Our bakery innovations in Finland included the Kiireetön family of premium-quality bake-off breads and a sliced mixed grain bread with low-FODMAP content, which utilises Fazer's patented LOFO-enzyme. In Russia, we introduced Fazer PRO Bake, a new line of bake-off bread and coffee bread for baking at home. In Sweden, a new oat concept successfully answered the consumer demand for a light bread for the family with a healthy profile.

NET SALES - FAZER BAKERY, M€





Going forward

We continue to execute our growth strategy through the Consumer First approach. We base our product and concept development on researched consumer insight and maintain a continuous dialogue with consumers.

Sustainability remains high on our agenda and we keep working actively towards reaching Fazer's sustainability goals. The focus is on reducing CO₂ emissions through several different means, for example by reducing food waste and implementing more environmentally friendly energy solutions. We use locally produced grain and other raw materials whenever possible and strengthen our cooperation with farmers and other stakeholders as a part of Fazer's Grain Vision programme.

In Finland, we believe that the consumption of bread will continue to increase in the coming years, and we aim to strengthen our position as the industry leader. The gluten-free market is growing quickly in Finland, as is artisanal baking. We have a strong presence in both. By strengthening our digital competences and in fast-growing e-commerce we will be able to reach our consumers in the channels of their choice. We will also open some 20 new shop-in-shop bakeries and hire 100 new artisan bakers in 2021.

In Sweden, the retail market is expected to continue showing modest volume decline but small value growth. We estimate our market share to follow that development but with opportunities in categories such as dark portion and farmhouse breads.

In Russia, the growth in bake-off is expected to continue. The downtrading trend will keep shifting consumer demand towards lower price levels, and retailers are increasing their focus on portfolio efficiency. We will address these trends via portfolio choices and targeted commercial efforts. We will also strengthen our online marketing activities.

In the Baltics, overall bread consumption is expected to decline. We will strengthen our positions in portion breads, applying meal solution know-how, and further expanding the shop-in-shop concept in Estonia.

Our businesses

Fazer Confectionery: Iconic brands for unforgettable moments

Fazer's chocolates, sweets and biscuits hold an iconic position in the hearts of consumers. Our cafés and bakery shops are well known and loved in their operating markets. The name Fazer is associated with high quality, craftsmanship and fearless creativity. We are present with consumers in their daily lives, bringing joy and helping to create unforgettable moments in times of celebration. We cherish our heritage.

In 2020, the Fazer Retail business, which includes the Fazer Cafés in Finland as well as the Gateau shops in Finland and Sweden, was integrated into the Fazer Confectionery business area. This strategic decision allows us to better use the cafés and shops to strengthen our consumer dialogue, test new concepts and learn from consumer behaviour.

Performance in 2020

Fazer Confectionery's net sales slightly decreased from the previous year, with the decline mainly attributable to Fazer Retail, where the Fazer Café and Gateau businesses were heavily impacted by COVID-19 related restrictions, as well as to the complete standstill in Travel Retail.

Confectionery sales in Finland, Sweden, Denmark, Russia and the Baltics were quite stable despite the disruption brought on by the COVID-19 pandemic. Sales, especially in Finland, was supported by consumers relying on brands they know and love during times of uncertainty.



COVID-19 changed consumer behaviour, which led to the polarisation of demand. Chocolate tablets continued to sell well and there was strong growth in candy bag sales, whereas demand for biscuits, pick & mix and products in the impulse category such as pastilles and chewing gum decreased. Seasonal sales related to Easter and Halloween suffered from COVID-19 limitations. However, Christmas sales exceeded expectations, especially in Finland and Sweden. The standstill of travel retail sales resulted in some lost net sales opportunities and temporary layoffs at the Vantaa and Lappeenranta factories.

We decided to close the Karkkila factory and move the production of xylitol pastilles and chewing gum to Lappeenranta. The strategic relocation of production will enable the development of the necessary efficiency and know-how in the future, which is important for maintaining our competitiveness.

We strengthened our position in Denmark, built our own sales organisation in Norway and grew our market share in Sweden, winning consumers over with our beloved classics and strong novelties.

The COVID-19 restrictions and closing of the cafés and restaurants for two months in Finland had a profound negative impact on retail sales, but we rapidly responded to the crisis and changed our plans in order to adapt to the situation by managing our cost base. The comprehensive programme to reduce costs consisted of staff reductions and temporary layoffs, renegotiation of lease agreements, fixed cost reductions and optimisation of the product range.

Despite the challenging circumstances, the year was successful in many ways. We opened two new Fazer Cafés in Helsinki, renovated and opened Gateau stores in Sweden, and built a new artisanal bakery in Skogås, Sweden. In addition, we established new digital sales channels to support our business.

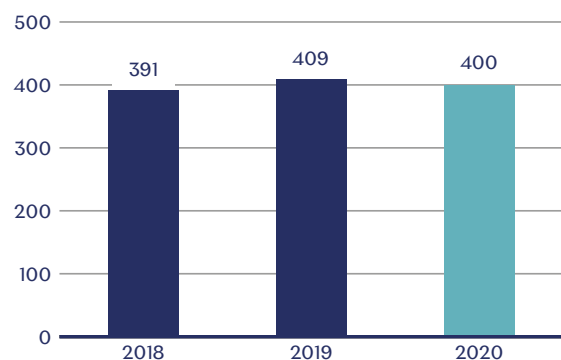
With many people working from home, on-line shopping has increased significantly. We have responded to the new circumstances by developing Fazer's eCommerce platform, Fazer Store, which has consequently grown strongly.

Our most important confectionery innovations and launches in 2020 were the dairy-free OatChoco, a xylitol-sweetened milk chocolate, the Karl Fazer Crunchy bar and the Green jelly chocolate bar. One of the highlights of 2020 was the Tutti Frutti TikTok campaign winning several awards: Gold, best Social Media Platform and third place in the Influencer Communication category in Finnish Comms Awards, as well as first place in the Social media category at the European Excellence Awards. We were also, once again, selected as the most trusted confectionery brand in Finland.



Launching the Moomin chocolate lentils with sustainable Paptic packaging material replacing plastic and Makea Choco Moka are examples of our ongoing sustainability development. We also added recycling markings to all our packaging. The most important sustainability developments in Fazer Retail during 2020 included implementing the ResQ service in Gateau Finland to reduce food waste, improving waste tracking in stores, and changing all our take-away packaging to more sustainable options.

NET SALES - FAZER CONFECTIONERY, M€



Going forward

The changes in consumer behaviour due to COVID-19 are likely to remain across 2021 with gradual recovery. Consumers' increasing desire for contact-free shopping and take-away sales is creating business opportunities that we will capture through the development of our online sales channels, assortment development and store design.

In the future, the shelves with crisps, sweets and biscuits will be merged into one snacking shelf, where impulse decision-making will occur. This will lead to cross-category competition for the consumer's attention. Winning at the point of purchase – in both digital and physical channels – will become more and more important. We will follow closely the trends and strive to develop consumer-oriented, innovative and delicious products. Sustainability will continue to be at the core of our business. Everything we do starts from consumer insight and evaluating our actions from the consumer's perspective.



Our businesses

Fazer Lifestyle Foods: Plant-based well-being with delicious tastes

Fazer Lifestyle Foods offers modern consumers a variety of non-dairy products, breakfast products and smoothies. We want to become a forerunner in the field of plant-based solutions, known for our ability to combine delicious taste with a sustainable lifestyle. Our expertise in foodtech plays a key role in generating future growth and strengthening our position in this attractive market. With a clear vision, pure ingredients, consumer insight and courage to innovate, we create outstanding products that do good for the people and the planet.

Plant-based eating and an increasing focus on sustainability are trends that are here to stay. While people seek healthier choices, they are also more and more interested in the origin of food and the impact it has on the environment. Our ambition is to make healthy, sustainable choices which are easy and accessible to everyone.

Performance in 2020

In 2020, Fazer Lifestyle Foods' net sales grew, with the growth mainly attributable to non-dairy and dairy sales from Kaslink, which was acquired in August 2019.

Breakfast products and the industrial milling products did well despite the exceptional operating environment caused by COVID-19, whereas emerging categories such as smoothies and juices faced challenges. Sales were negatively impacted mainly due to the decline in on-the-go snacking and the standstill in the hotel and restaurant sector as well as in the travel retail channels.



During the year, Fazer Lifestyle Foods continued to implement its plant-based strategy with its core focus on oat, responding to consumers' call for a healthy, sustainable lifestyle, introducing a variety of new products. Oats, the supergrain of the north, continued to increase in popularity, and both the Swedish and Finnish mills were running at full capacity during most of the year. To meet growing consumer demand, we started the expansion of the oat mills in Lahti, Finland and Lidköping, Sweden. The ongoing investment of 30 million euros in total will double our current oat milling capacity. Once the expansions have been finalised, Fazer will be the number one miller in oats in the Nordic countries and one of the leading players in Europe.

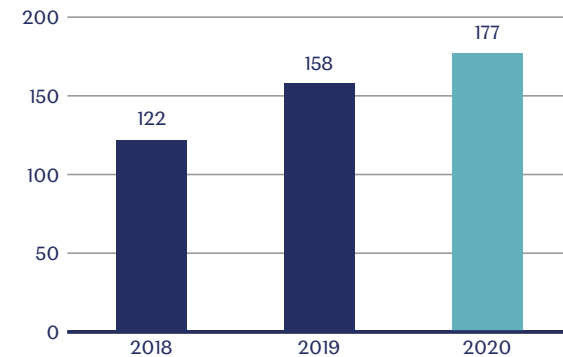
One of the highlights of the year was the launch of Fazer Oat Rice – a locally sourced, highly nutritious and versatile product. As a tasty and easy-to-use product with a low carbon footprint, Fazer Oat Rice is a great example of a true innovation that responds to the needs of the consumers. During the year, Fazer Oat Rice was launched in all Nordic countries. This novelty was awarded the Swedish Food Award Livsmedelspriset 2020 by the Livsmedeli fokus network.

Innovations supporting the circular economy, such as the production of xylitol from oat hulls derived as a side stream from the oat milling process, represent a future direction for the food industry. The construction of Fazer's new xylitol factory proceeded, and xylitol production is estimated to start in 2021. The factory will further strengthen Fazer's position as a forerunner in innovative plant-based products and as an expert in foodtech, which is a key focus area for us. The oat xylitol factory was awarded the Finnish Star Act 2020 – Tähtiteko 2020 by the Finnish Food and Drink Industries' Federation.

After evaluating the alternatives for producing Fazer Yosa oat products, we decided to close the production facility in Kaarina and move operations to the factory in Koria during the autumn. As non-dairy oat-based products play a key role in our growth plans both domestically and internationally, the modern factory in Koria meets the large-scale food production needs.

In spring 2020, the oat brand Kaslink Aito was renamed Fazer Aito. Along with the new name, the products saw some changes that made them even more consumer friendly. Most of Fazer Aito oat snacks are now dairy and gluten-free.

NET SALES - FAZER LIFESTYLE FOODS, M€



Going forward

Fazer Lifestyle Foods' ambition is to become one of the leading plant-based players in Northern Europe. We are well positioned for future growth and have a strong base of unique oat expertise on which we build our plant-based offering. We have a variety of products already present in the markets, and even more in the pipeline for future introductions. This is a market driven by long-term environmental requirements and the consumer trends of health, nutrition and good taste.

Through consumer insight and by deeply understanding consumer trends, we can find new opportunities to strengthen our business performance. By strategically investing in driving, understanding and supporting new consumption behaviours, we can better serve people who prioritise well-being and sustainability.

Interest in plant-based categories will continue to grow, as consumers seek healthy, more sustainable solutions. The pace of this transformation will be determined by the quality and convenience of our offering. We will answer consumer needs by developing products, creating new innovations, and expanding our selection of plant-based options that are both nutritious and delicious.



Sustainability

For people, For planet and For business

Sustainability has always been at the heart of our operations. We want to bring joy and well-being to people throughout our value chain, from suppliers to employees and consumers. Respect for the planet and its natural resources gives a solid basis for this work. By developing food as a solution, we are creating a more sustainable world.

In 2018, we renewed our sustainability approach and chose four Core goals to guide our way forward. In 2020, this work continued as we prepared long-term plans towards reaching these goals while carrying out a variety of projects in other areas as well. Sustainability work is a group effort; together, we can make a difference. Our efforts to do good For people, For planet and For business are all part of Northern Magic. Made Real.



By developing food as a solution, we are doing good for people across our value chain as well as for the planet.

Sustainability

Our sustainability approach

Sustainability is at the heart of everything we do. It is ingrained in our strategy and implemented across businesses. Our systematic approach helps us focus our efforts and work towards reaching the Core goals we have set.

Fazer has taken sustainability and corporate responsibility into account throughout its existence. It is a matter of pride to our employees and appreciated by our consumers and customers. Our sustainability approach is aligned with our mission: Food with a purpose. We want to do good for people and the planet, and we have defined specific targets and sustainability topics that help us do just that.

The key elements of our sustainability approach are four Core goals, through which we measure our success in continuously improving the sustainability of our operations. The Core goals are complemented by the Wheel of Essentials, which includes a wider description of the sustainability topics that are important to Fazer.



Wheel of Essentials

The Wheel of Essentials includes topics that Fazer finds highly important and works to promote. The topics are grouped into three themes: For people, For planet and For business. However, many of the topics are interlinked and affect each other. Our action plan addresses these topics and includes key actions, targets and KPIs.

The United Nations' Sustainable Development Goals (SDGs) guide our work. We have mapped our sustainability actions in relation to the SDGs, identified the SDGs most relevant to our operations and defined the ways in which we can contribute to reaching them. We recognise the important role of the food industry in making these goals a reality and want to take responsibility for creating a more sustainable tomorrow.



Sustainability

Sustainability highlights in 2020

We engaged in active sustainability work across all our businesses and functions throughout the year. We aimed high and achieved great results in many areas by working together, as one Fazer.

For people

LTAF (Lost time accident frequency) improved to 4.7, which is better than last year's performance (6.5) and ahead of the Group milestone 2020 target, 5.0, leading towards the ultimate goal, 0.0.

Values & Behaviours discussions were held for engaging all Fazer employees to make our renewed Fazer values – Northern Liberty, True Relationships and Fearless Creativity – become alive in our work, every day.

Our results in the Fazer Pulse survey improved in every measured area and in all businesses. According to employee feedback, Fazer's top management has become more visible and increased its presence and availability.

We increased awareness on diversity and inclusion through Diversity e-learning in Fazer Campus. The course inspired us to challenge our biases and look at the world around us from a new angle.

Fazer in Russia received a "Made in St. Petersburg" award, with a special recognition of our partnership with SOS Village Pushkin and the substantial donation programme.





We made a further investment in Solar Foods, which has developed a novel protein ingredient, Solein®. Fazer is now the largest single shareholder in the Finnish start-up.

For planet

Our energy efficiency improved by 18% from the 2011 baseline. Waste generation decreased due to initiatives in Russia supported by no-return policy for retail, and improved production efficiency in large volume units in Finland.

Fazer partnered with Baltic Sea Action Group (BSAG) and Reaktor in creating the Farmers' training platform for regenerative farming. The e-learning was launched in February 2021.

We introduced Fazer Oat Rice, with excellent nutritional value and a smaller carbon footprint than competing products in the category. In Sweden, Fazer Mills won the Food Award 2020 for Oat Rice, sold under the Fazer brand Frebaco.

Systematic internal work was carried out to define sustainable sourcing and to develop related procurement processes.

We saved tonnes of frozen bakery products originally intended for hotels and restaurants from going to waste by organising a drive-in bakery store for consumers in Vantaa and Lahti, Finland.

For business

The construction of our new factory that produces xylitol from oat hull and of the adjoining bio-heating facility proceeded according to plan. The new facilities will be operational on in 2021.

We made a further investment in Solar Foods, which has developed a novel protein ingredient, Solein®. Fazer is now the largest single shareholder in the Finnish start-up.

A Supplier Code of Conduct implementation programme was initiated and suppliers representing 52% of Fazer's spend had signed the Code of Conduct by the end of the year.

Fazer received an all-time high score in the Reputation & Trust survey, with the Financial performance and Products & services dimensions reaching the highest scores in Finland. In Sweden, Fazer remained at the same good level whereas in Russia (St. Petersburg), Fazer's overall reputation reached an excellent level.

Sustainability

Core goals – working towards a more sustainable tomorrow

The four Core goals we have set for ourselves are at the centre of our sustainability approach. We work together across Fazer's businesses and functions to achieve them – not forgetting active cooperation with our external stakeholders.

In 2020, we carried out numerous activities that took us closer to reaching the Core goals. In addition, we continued to develop our monitoring and measuring processes.

Core goal 1: 50% less emissions

The food system has impacts on the climate, and climate change affects food production through changes in farming conditions and the availability of water, for example. We want to reduce the climate emissions of our own operations and throughout our value chain, as well as other emissions in water and on land.

Fazer Group's total annual CO₂ emissions are approximately one million tonnes. Reported emissions are higher than last year due to widening of the scope of the calculation. The majority of our emissions comes from raw material production.

SUSTAINABILITY CORE GOAL STATUS

	2020	2019
Core goal 1, 50% less emissions, CO₂e tonnes/tonne	2.11	2.29
Scope 1, Fuel usage	0.01	0.01
Scope 2, purchased energy, own & leased cars and transportation	0.12	0.12
Scope 3, raw materials, waste from production, wastewater, water consumption, business travel	1.99	2.16
Core goal 2, 50% less foodwaste, food waste tonnes/tonne	0.047	0.051
Core goal 3, 100% Sustainably sourced (% of spend signed Supplier Code of Conduct)	52 %	-
Core goal 4, more plant based, share of plant-based offering (SKU) %	45 %	45% ^c

^c The 2019 figure has been recalculated.

In 2020, we were able to reduce energy consumption per tonne of produced food by 18% from the 2011 baseline. We carried out initiatives to decrease emissions from fossil fuels in transport. In Sweden, we introduced a new car leasing policy and increased the use of vehicles running on renewable HVO diesel in distribution.

We partnered with the Baltic Sea Action Group and Reaktor in creating a Farmers' training platform on regenerative farming. As an example of reducing fossil energy sources in the near future, a bio-heating plant that uses Fazer's production side streams as its fuel is being constructed in Lahti.

Core goal 2: 50% less food waste

By reducing food waste, we can greatly reduce our environmental impacts and, at the same time, increase material efficiency. We engage in active cooperation with various stakeholders to find new solutions to the food waste issue.

Our new xylitol factory in Lahti is the most significant example of our efforts to reduce food waste. The factory produces xylitol from oat hull, turning side streams into edible raw material for products as well as into bioenergy for the factory and our mill, bakery and crisp production lines.

In 2020, we also succeeded in reducing waste due to different initiatives in Russia, supported by no-return policy for retail and improved production efficiency in Finland.

In Finland, we opened a Fazer Bakery Drive-in Store that prevented over 100,000 kg of food waste. The frozen bakery products were originally aimed for the restaurant and hotel business, which came to a stand-still due to the spread of the coronavirus. In Sweden, eight tonnes of oat rings with one incorrect ingredient were sold through MatSMART instead of ending up as food waste.

Core goal 3: 100% sustainably sourced

Through our extensive value chain, we have major impacts on societies, communities and individuals. Sustainable sourcing means that we continuously develop the basic requirements for all our suppliers while paying extra attention to selected raw materials: cocoa, grain, palm oil, eggs, fish and soy.

We are committed to using only 100% sustainable cocoa, palm oil and soy. By 2025, all grain used in Fazer's products in Finland and Sweden will be farmed according to the ten sustainable farming principles defined in Fazer's Grain Vision. We have also made a commitment to source 100% cage-free eggs by 2024 in Finland, Sweden and the Baltics, and by 2030 in Russia. In 2020, the share of cage-free eggs was 31%.

We collaborated with Hanken School of Economics on the topic of sustainable fruit sourcing. In addition, we launched the innovative Paptic packaging material, which is used for the Moomin lentils and replaces plastic packaging.

In 2020, we were part of SIHTI (Status of Human Rights Performance of Finnish Companies) human rights assessments in our own operations as well as in the value chain to review the current situation and identify challenges. The study brought up improvement areas, for example, in the documentation and communication of our Human Rights policies and processes. Based on the findings, we are updating our Supplier Code of Conduct by adding more requirements on respecting the rights of indigenous people, vulnerable groups, including e.g. migrant workers, women, children and disabled people, as well as local communities and land rights.

We engaged in systematic internal work to define sustainable sourcing and to develop related procurement processes. We increased the share of farmer programmes in sustainable cocoa as we want to go beyond certification requirements. We joined a new cocoa farmer programme, Cocoa Horizons. We also supported cocoa farmers in our other programmes with extra donations to address the COVID-19 crisis. Preparations were made for renewing our cocoa vision.

Core goal 4: more plant-based

We see food as a solution. A diet that contains more plant-based products has been proven to enhance well-being. We carry out systematic work to find new plant-based innovations and new products. In addition, we turn classic products plant-based, such as the Pihlaja sweets in Finland. We also investigate new technologies to find more possibilities in plant-based categories.

We launched for presale a limited edition of the Fazer OatChoco oat choco tablet, which is suitable for vegans. We also introduced meal components made of oat, barley and wheat, with significantly higher nutritional value than competing products in the category. The products were launched under the Frebaco brand in Sweden, under the Fazer Alku brand in Finland and under the Fazer brand in Norway and Denmark.



Sustainability

For people

Fazer wants to make a difference in the lives of people – employees, consumers, farmers producing our raw materials, our partners and owners. We strive to create a safe and inspiring working environment in which our personnel can thrive. At the same time, we continue our work to ensure that human rights are respected throughout our value chain.

Safety is a priority for us, and during the year, the safety and health of our personnel gained in importance as we worked to prevent the corona virus from spreading. We also recognised our role in securing the food supply in the exceptional situation. Despite the challenging circumstances, our employees were able to maintain an excellent team spirit and quickly adapt to new ways of working.

Due to the changes in our operating environment and the pandemic, we carried out collaboration negotiations which resulted in both permanent and temporary layoffs. Fazer supported those whose employment was terminated and helped them find new employment by liaising with the local employment administration.

In 2020, the year of the COVID-19 pandemic, Fazer's focus was to ensure the safety of the personnel and the business continuity of the production. Office-based employees moved to partial remote working mode. We paid special attention to ensuring the flow of information, engagement and inclusiveness, well-being and leadership through continuous communications.

Achievements in 2020

During the year, we updated our values and behaviours. To make them a reality in our everyday work, we held Values & Behaviours discussions, engaging all employees. Feedback from the sessions was used to finalise the Fazer behaviours. Employees from all units and countries, and from management to production workers, took part and gave their input.



With the launch of our new values, our cultural change towards a more diverse and inclusive Fazer received a boost. Human rights have always been high on our agenda, and embracing diversity is part of the work we do to improve them across our functions and stakeholders. We launched a Diversity & Inclusion e-learning to help our employees recognise potential biases and challenge them.

Fazer has an e-learning platform for important employee training topics. Human rights-related topics are included in the Ethical principles training, which has been available from 2018.

We re-organised our Human Resources function to better support the implementation of our strategy. This supporting work continues in 2021. HR increased its focus on talent development both to ensure motivating career paths for internal talent as well as to strengthen the organisation's resilience by having a wide talent base for open positions.

We achieved excellent results in the Fazer Pulse personnel survey, improving in every measured area and all businesses. According to employee feedback, management has become more visible and increased its presence and availability. We planned actions within teams and functions to further improve on specified areas.

We educated artisan bakers and employed them in our shop-in-shop bakeries. We started the artisan baking school in 2018, and the first class has already graduated. There are currently 27 students in total studying in their second or third year, and a new class will begin its studies in 2021. We now employ 600 artisan bakers in our shop-in-shop bakeries across Finland. We estimate to open 20 new shop-in-shop bakeries during 2021 and will employ 100 new artisan bakers in Finland.

We further developed the European Works Council (EWC) at Fazer. Active dialogue between employees and employer increased awareness of the EWC among employees.

We held two well-being webinars with external training and coaching professionals. Our employees were also given the opportunity to join a well-being programme, which includes developing motion, nutrition, recovery & stress management and smarter ways of working.

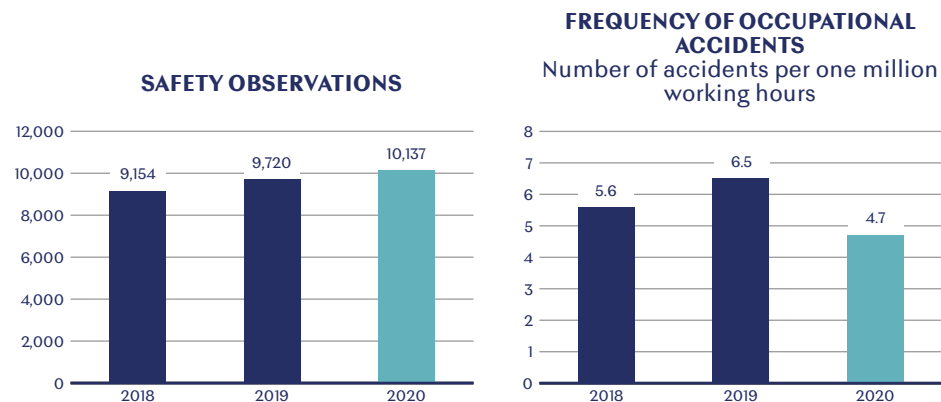
We improved our LTAF (Lost time accident frequency) to 4.7, which is better than last year's performance (6.5) and ahead of the Group LTAF milestone target for 2020, 5.0. The outstanding result follows from long-term systematic daily work and engagement of all employees to improve the safety of the working environment and ways of working. There were no fatalities in 2020. Safety observations increased by 5% from 2019.

To help during the COVID-19 pandemic, we donated Fazer products to health care professionals in hospitals, healthcare and paramedic units. Through our NGO partners, we delivered considerable amounts of products to food aid, elderly people in isolation as well as to families in need.

Fazer in Russia received a "Made in St. Petersburg" award for our social programmes, with a special recognition of our partnership with SOS Children's Village Pushkin and massive donation programme.

FREQUENCY OF OCCUPATIONAL ACCIDENTS

NUMBER OF ACCIDENTS PER ONE MILLION WORKING HOURS	2020	2019	2018
Fazer Bakery	4.0	4.2	3.7
Fazer Confectionery	5.9	14.1	13.1
Fazer Lifestyle Foods	10.1	12.2	7.5
Others	2.7	2.3	1.9
Total in Group	4.7	6.5	5.6



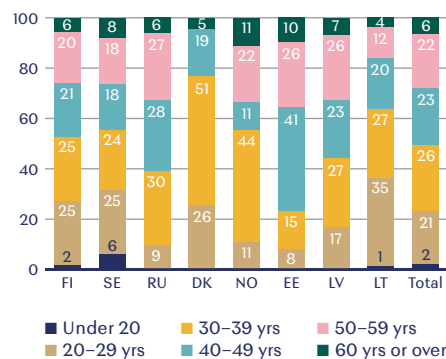
MANAGEMENT BY GENDER, %

	WOMEN	MEN
Board of Directors	11	89
Group Management Team	25	75

MANAGEMENT BY AGE %

	UNDER 30	30-50	OVER 50
Board of Directors	0	11	89
Group Management Team	0	25	75

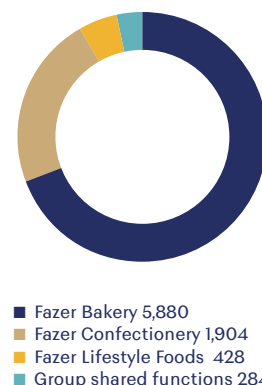
EMPLOYEES BY AGE, %



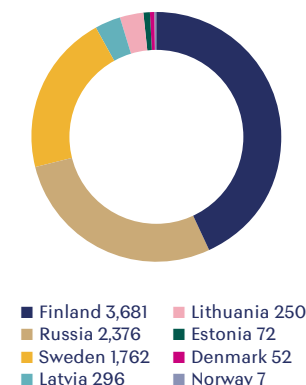
EMPLOYEES BY GENDER, %



EMPLOYEES BY BUSINESS AREA



EMPLOYEES BY COUNTRY



GROUP EMPLOYEES BY GENDER, %

	WOMEN	MEN
Management	43	57
Senior Salaried	60	40
Salaried	47	53
Blue Collar	54	46

GROUP EMPLOYEES BY AGE GROUP, %

	UNDER 30	30-50	OVER 50
Management	0	73	27
Senior Salaried	4	70	26
Salaried	14	59	28
Blue Collar	30	45	25

Going forward

The safety of our personnel is a top priority. The exceptional COVID-19 situation continues in 2021 and our focus will be on ensuring the health and safety of our employees and of everyone working for or with us. Active communication is in a vital role in this work.

In 2021 and onwards, we will continue the work to further develop the human rights practices based on the results from external assessments and other stakeholder feedback. We will also focus on improving our communication on existing practices.

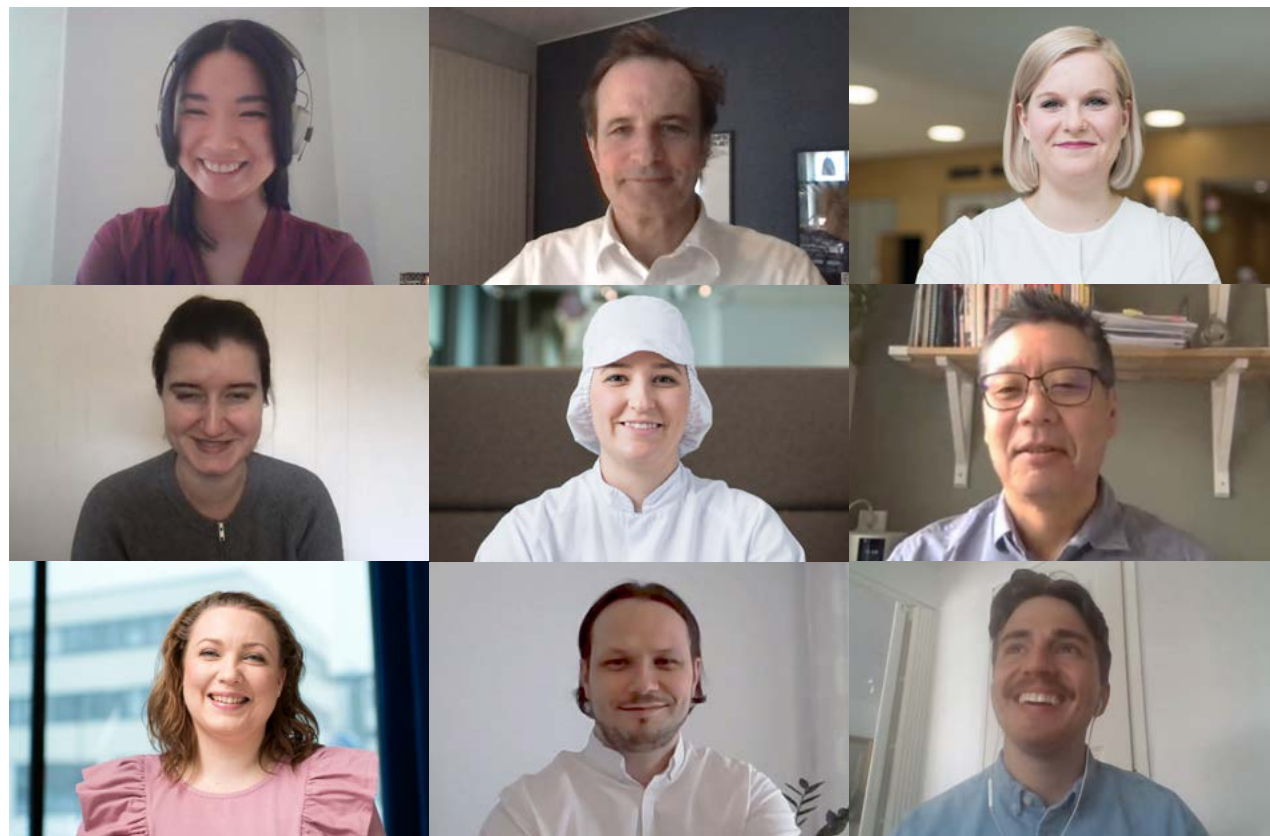
Sustainability case example - For people

Fazer Values brought to life through discussions

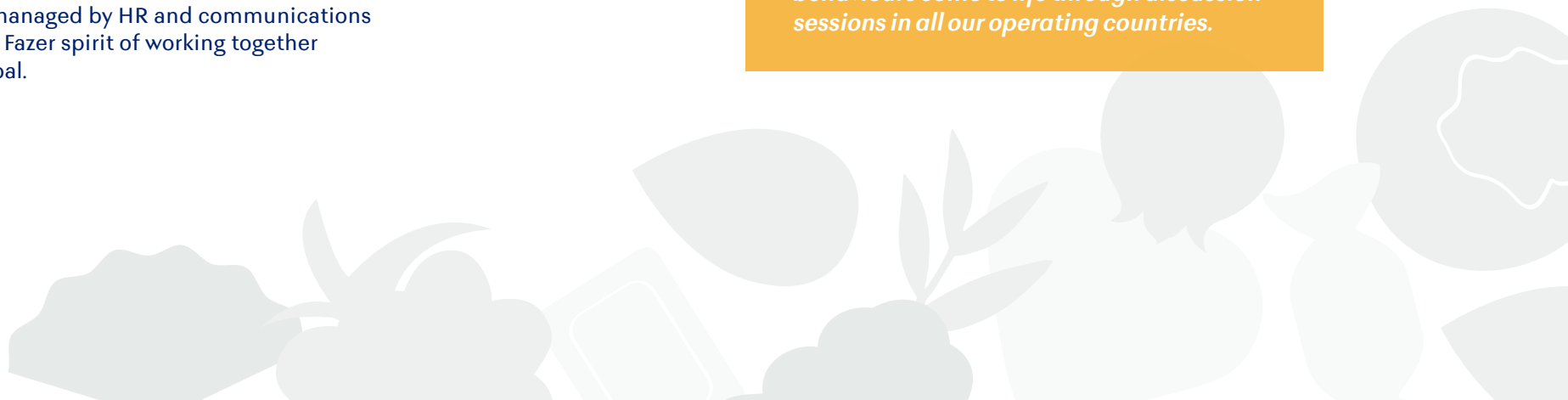
In 2020, we renewed the Fazer values and behaviours. Northern Liberty, True Relationships and Fearless Creativity now guide our way forward. According to our new behaviours, we make magic happen, we improve every day and we win as one Fazer.

However, deciding and formulating new values was just the first step. Making them a reality and an integral part of our everyday work required action. We therefore held Values & Behaviours discussion sessions in all our operating countries. We started the discussions in the spring and continued them as virtual sessions after a break caused by the COVID-19 pandemic.

The sessions aimed to help all Fazer employees to better understand how we can make our values come to life and encounter each other. Feedback from the sessions was used to finalise the Fazer behaviours. The discussions were a joint effort managed by HR and communications and reflect well the Fazer spirit of working together towards a shared goal.



We made the renewed Fazer values and behaviours come to life through discussion sessions in all our operating countries.



Sustainability

For planet

We are committed to innovation around sustainable food solutions – for people and the planet. We drive sustainability across our value chain, all the way from sourcing to packaging.

Our sustainability work is executed across all our businesses. We actively seek projects where we can make a difference and collaborations across the industry, while driving innovative concepts of our own. One example of innovation and circular economy is the new xylitol factory and related biofuel power plant in Lahti. A non-edible side stream from the mill, oat hull, is used as the raw material for xylitol, and the excess materials are used as bio-based fuel in the power plant. Read more on the investment in the For business section.

Our focus areas for 2020 included addressing food waste and developing sustainable sourcing practices. We continued to keep up with the latest food trends that also support the reduction of CO₂ emissions from the food value chain by introducing new plant-based products.

Achievements in 2020

We were able to improve our energy efficiency in 2020 by 18% from the 2011 baseline, our environmental analyses on Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods reveal. Our energy efficiency results for the year 2020 show positive progress.

ENVIRONMENTAL INDICATORS

	2020	2019	2018
Amount of production (tonnes)	605,424	565,915	552,749
Energy consumption (MWh)	529,970	507,418	506,768
Energy consumption/produced quantity (MWh/tonne)	0,88	0,90	0,92
Usage of water (m ³)	1,111,412	963,468	923,431
Usage of water/produced amount (m ³ /tonne)	1,8	1,7	1,7
Used raw materials (tonne)	614,179	585,643	562,843
Used raw materials/produced quantity (tonne)	1,014	1,035	1,018
Total amount of waste/produced quantity (tonnes/tonne)	0,17	0,18	0,15
Total amount of waste and by-products (tonnes), of which	100,745	103,014	83,505
Recycled (%)	62	62	76
energy recovery (%)	37	36	21
landfill waste (%)	1,5	1,6	3

Fazer's Sustainable Grain Farming Principles serve as a basis for active sustainability cooperation with farmers. The principles aim at minimising eutrophication and the use of chemicals while supporting resource efficiency and productivity. We continued our work towards the Fazer Grain vision to promote sustainable farming in Finland and in Sweden. We supported a Regenerative Carbon Farming initiative, which includes web-based training for farmers, supporting them in reducing CO₂ emissions and carrying out more sustainable farming practices.

We were able to reduce our total amount of waste as well as food waste. The main reasons for the good development were initiatives in Russia, supported by a new bread order legislation, increased efficiency in Finland and bakeries' active efforts in Finland and Sweden.

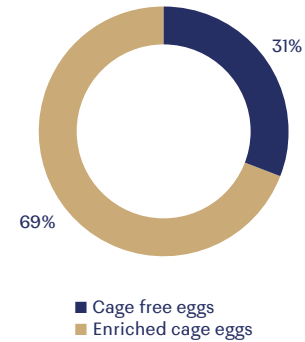
We carried out significant internal work towards our Core goal of having 100% sustainably sourced materials across our suppliers and value chains by 2030. This internal work set the framework for reaching the goal, including defining sustainable sourcing, establishing a Code of Conduct among our suppliers and developing sustainable procurement processes.

We increased the share of our farmer programmes in sustainable cocoa and joined a new cocoa farmer programme, Cocoa Horizons, launched by Barry Callebaut. The programme seeks to drive change in farming communities and promote transparent and sustainable cocoa farming.

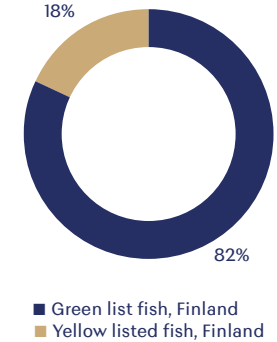
We only use certified palm oil in our production. Of the three different RSPO (Roundtable on Sustainable Palm Oil) supply chain options – Book and claim, Mass balance and Segregated – we strive to use Segregated, in which sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout the supply chain.

We did not reach our target set for 2020 of all palm oil being Segregated, as our operations in Russia still use the Book and claim supply chain model. In the Nordic and Baltic countries, we use nearly 100% Segregated palm oil. However, in 2020, we increased our support to smallholder farmers by purchasing 50% of the Book & Claim credits as smallholder credits. With such support smallholders can increase their yields, better enter international markets, improve their livelihoods and reduce the risk of land conversion.

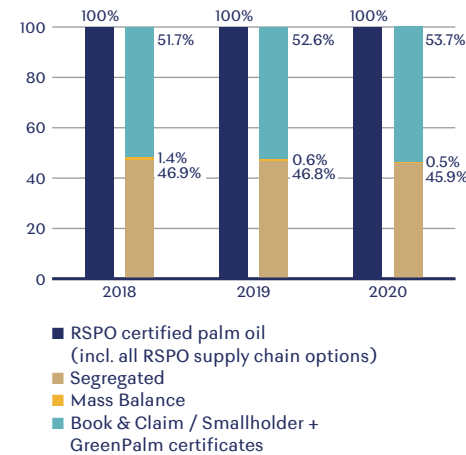
RESPONSIBLE EGG STATUS



RESPONSIBLE FISH STATUS, according to WWF fish guide



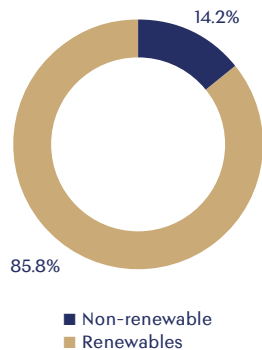
RESPONSIBLE PALM OIL STATUS, %



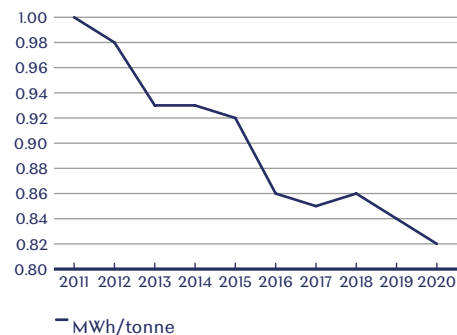
RESPONSIBLE SOY STATUS, %



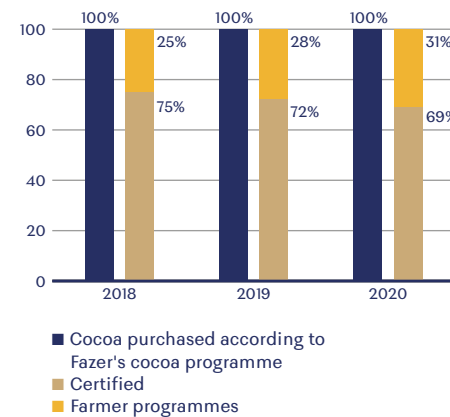
PURCHASED ELECTRICITY, %



ENERGY CONSUMPTION/PRODUCED QUANTITY



RESPONSIBLE COCOA STATUS



DIRECT GHG EMISSIONS (SCOPE 1)

FUEL CONSUMPTION	CO₂e TON
Fazer leasing cars	1,357
Fazer owned logistic vehicles for distribution	2,340
Combusted fuels in production	41,419
TOTAL SCOPE 1 EMISSIONS	45,115
<hr/>	
Total Biogenic emissions from scope 1 biofuel usage	6,315

INDIRECT GHG EMISSIONS FROM PURCHASED ENERGY (SCOPE 2)

	CO₂e TON	% OF TOTAL
District heating	4,706	16%
Steam	14,120	47%
Purchased electricity	11,196	37%
TOTAL	30,022	100%

We continued discussions with NGOs such as WWF on the future of palm oil. We will renew our palm oil commitment in 2021. In addition to buying 100% sustainable palm oil at Fazer, we are in the process of RSPO Supply Chain certification concerning our own internal processes of purchasing and handling palm oil in our production. We also published a case study in the WWF Palm oil buyers' scorecard.

We invested in our partner Solar Foods, a Finnish foodtech startup, as the lead investor in the series A financing round. Solar Foods' novel protein, Solein[®], is a carbon-neutral innovation that can contribute to a more sustainable food system.

In 2020, we arranged a sustainability workshop to increase internal awareness of our environmental footprint and to find the most impactful actions to reach our four sustainability Core goals by 2030. The purpose was to support the organisation in developing business-specific sustainability roadmaps and to foster ownership around sustainability-related business activities.

Minimising food waste and our impacts on water

In our own operations, water is used as an ingredient in our products and in various cleaning processes. In our supply chain, it is needed in growing crops to produce our ingredients. To assess and minimise our impacts on water in the value chain, we are working together with our stakeholders.

Fazer has joined the Finnish Water Stewardship Commitment, which challenges Finnish companies and organisations to identify the water risks in their value chains and to develop the sustainable use and management of water. We are also collaborating with WWF Finland, farmers and other partners in Fazer's grain value chain to expand environmental activities on farms and increase cooperation between organisations, businesses and environmental administration in environmental and water conservation.

At our operating locations, we are committed to municipal water treatment policies. Water is in most instances drawn from the municipal water supply and water discharge from production goes to municipal sewage. The majority of our production sites are ISO 14001 certified and as part of certified environmental systems, environmental impacts are assessed, and targets set. Additional goals and targets are set by individual business functions and our Energy and Climate Steering Group.

In 2020, our water consumption increased by 15% and our wastewater output increased by 19%. This was mainly due to construction works of the Lahti xylitol factory and a machinery breakdown in Fazer Bakery Sweden. We continue to work towards reducing our water usage and wastewater in all our operating countries.

Concerning material usage, in addition to water, we need food raw materials such as grain, cocoa, sugar and milk, as well as packaging raw materials as inputs for producing our products. The production of edible products, such as baking bread and making chocolate, generate the majority of our waste. This is why we are focused on reducing food waste and have set Core goal 2: 50% less food waste.

Waste is also generated in the consumption of our products such as pre-packed and store-baked bread, plastic wrapped chocolate and sugar confectionery and cereal cartons. We engage in active cooperation with various stakeholders to find new solutions to waste issues further down the value chain.

PURCHASED ELECTRICITY

	MWH	%
Non-renewable	31,101	15%
Renewables	187,483	86%
TOTAL	218,584	100%

OTHER INDIRECT GHG EMISSIONS (SCOPE 3)

	CO ₂ e TON	% OF TOTAL
Food raw materials, purchased	1,137,199	94.5 %
Packaging raw materials, purchased	48,355	4.0 %
Water consumption	139	0.0 %
Fuel and energy related activities	11,547	1.0 %
Outbound logistics paid by Fazer	4,121	0.3 %
Waste water	549	0.0 %
Waste generated in production	1,415	0.1 %
Business travel	276	0.0 %
TOTAL	1,203,604	100.0 %

GHG EMISSION INTENSITY

	CO ₂ e TON / PRODUCED TON
EMISSIONS / PRODUCED QUANTITY	
Scope 1	0.07
Scope 2	0.05
Scope 3	1.99
Total emission intensity	2.11

MATERIALS THAT ARE USED TO PRODUCE AND PACKAGE OUR PRODUCTS

	KG	
Non-renewable	8,926,617	26%
Renewable	25,000,987	74%
TOTAL	33,927,604	100%

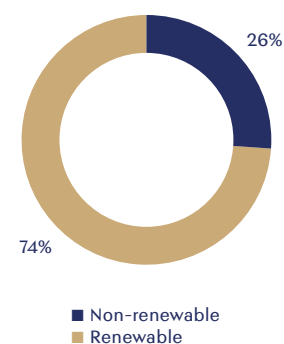
ENERGY CONSUMPTION NON-RENEWABLE / RENEWABLE FUELS

	MWH	% SHARE NON-RENEWABLE - RENEWABLE
ENERGY CONSUMPTION - NON-RENEWABLE FUELS	177,282	92%
Oil	9,851	
Natural gas	151,638	
Diesel	15,177	
Petrol	617	
ENERGY CONSUMPTION - RENEWABLES	14,631	8%
Pellet	5,312	
Biodiesel	9,309	
Biogas	10	
TOTAL	191,913	

ENERGY CONSUMPTION ACCORDING TO USE

	MWH
Electricity	218,584
Heating	32,984
Cooling	-
Steam	67,381

MATERIALS THAT ARE USED TO PRODUCE AND PACKAGE OUR PRODUCTS



We have set a target to reduce waste by 20% compared to 2015 levels by 2020, and we have since monitored a business-specific total waste KPI on a quarterly basis. Waste data is retrieved from external waste handling platforms such as Enpros Zero Waste and collected by Fazer's Sustainability team. To make sure that legislative requirements for waste handling are met in all operating countries, we have a procurement tendering process for new service providers. Our waste management partners are also audited as part of our commitment to ISO standards.

In 2020, 98.5% of generated waste was reused. This has been achieved by directing production side streams to animal feed and food donations, working with external waste handling companies in recycling materials and by energy recovery through energy waste incineration and bioethanol production.


Sustainability case example - For planet

Fazer supports e-Learning for regenerative farming

How we grow food has a major impact on the environment. For the well-being of people and the planet, we decided to invest in regenerative farming and participate in a programme to develop an on-line learning and collaboration platform for farmers, scientists and other partners with Baltic Sea Action Group (BSAG) and Reaktor.

Regenerative farming means farming practices that improve the soil's capacity to capture carbon from the atmosphere and store it, which mitigates climate change. In addition, agricultural practices that store carbon and restore soil health also minimise nutrient loads from fields to waterways, preventing eutrophication. The e-learning for regenerative farming offers a free, high-quality, research-based online course for anyone interested in producing food profitably and sustainably.

Regenerative farming has many positive effects that support biodiversity while making farmers' work more interesting and rewarding. By promoting regenerative farming, we want to change the future of food production, for the benefit of the farmers, consumers and the planet.



We are participating in a regenerative farming programme to develop an on-line learning and collaboration platform for farmers, scientists and other partners.

Sustainability

For business

We consider sustainability in all our operations and want to establish a sustainable working culture – now and in the future. Reducing risks, strengthening our business ethics and improving best practices are all a part of our work in ensuring sustainability in our business.

We conduct our business according to our ethical principles, which are applied across all our business areas and countries of operation. These principles are based on our values and the UN Global Compact, which seeks to promote corporate sustainable development and good corporate citizenship. We also follow the UN's guiding principles on businesses and human rights and related processes. We have identified the ways in which we contribute to the UN's Sustainable Development Goals (SDGs) and work towards reaching them together with our entire value chain.

We are continuing our work around the sustainability Core goals, taking into account the needs of our different business areas. The Core goals are also a way to address the risks that climate change, loss of biodiversity, water scarcity, food waste, adverse impacts on human rights and their implications can cause to our business.

In 2020, we continued promising projects in the field of sustainability as well as carried out new ones. We strengthened our internal practices around sustainability and ethical business while making significant investments and improvements in our ways of operating.

Achievements in 2020

Fazer's reputation among the general public remained strong this year. Our strengths lie particularly in products and services. The survey results provided us with insight on environment-related areas where we could further improve.

The construction of our new xylitol factory, which produces xylitol from oat milling side streams, proceeded in Lahti, Finland. The oat xylitol factory was awarded the Finnish Star Act 2020 – Tähtiteko 2020. A biopower plant that will use oat hull mass from oat xylitol production to provide heating for the entire factory area is being constructed. This is part of our commitment towards Finnish oats and circular economy.

We invested in our partner Solar Foods, a Finnish foodtech startup, as the lead investor in the series A financing round. After the financing round, Fazer is the largest single shareholder of the startup and will continue to support Solar Foods in the form of research, innovation and commercial development to advance future food solutions.

We are also expanding our oat milling capacity. The investment, 30 M€ in total, will be equally divided between the mills in Lahti, Finland and Lidköping in Sweden. Fazer will build two new mills, which will double the current oat milling capacity of the company. Once the expansions have been finalised in 2021, Fazer will be number one in oats in the Nordic countries and one of the leading players in Europe.

We are also expanding our production in Koria, Finland, with a focus on oats, and moved the production of Fazer Yosa products from Kaarina to Koria during autumn 2020. Investments in Koria within the last year totalled over 10 million euros.

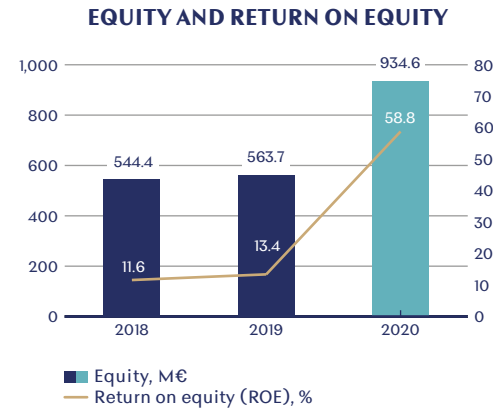
We have created a Code of Conduct for our suppliers, which includes consistent supplier requirements and follow-up measures, supporting our Core goal 3 of having 100% sustainably sourced materials across our suppliers and value chains. By the end of 2020, 52% of our suppliers (share of total external spend) had signed the Code of Conduct.

During 2020, 21 cases were reported through our whistleblowing system, which also allows third parties to report observed or suspected breaches of company policies or regulations. These cases were related, for example, to HR, QEHS, conflicts of interest and misuses of company assets. These have been investigated internally and the necessary measures have been taken. Two cases are still open.

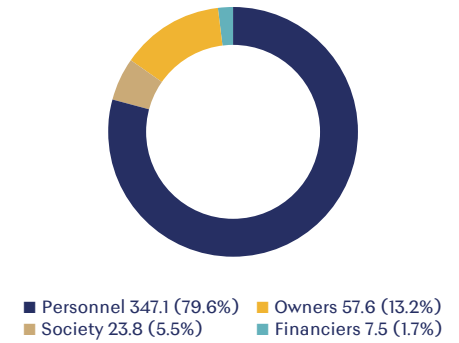
During the year, we had no cases related to our marketing actions that were filed to “The Council of Ethics in Advertising”. We had three product recalls in total. Product recalls were made due to allergen cross-contamination.

We have a comprehensive anti-bribery programme in place, and we have an anti-bribery e-learning training for our employees to recognise and prevent bribery. We also established a mandatory e-training on competition law.

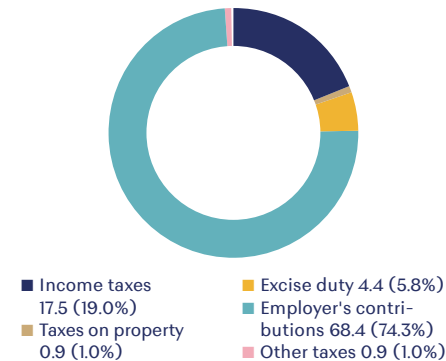
The Fazer Experience Visitor Centre was awarded the Sustainable Travel Finland certificate by Visit Finland to promote sustainable travel. New attractions for 2020 included a new greenhouse and a web shop.



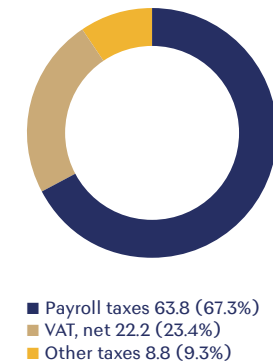
DIVISION OF ECONOMIC VALUE, M€



TAXES BORNE AND EMPLOYER CONTRIBUTION, M€^{*)}



TAXES COLLECTED, M€



^{*)} Insurance taxes and energy taxes not included.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

M€	2020	2019
ECONOMIC VALUE GENERATED:		
Customers (net sales, other operating income, financial income, sales of assets)	1,565	1,710
Suppliers		
Direct purchases	-419	-606
Indirect purchases	-280	-363
Operative investments	-93	-57
Added value	773	684
ECONOMIC VALUE DISTRIBUTED		
Personnel (salaries, wages and other indirect employee costs)	-347	-570
Society (taxes and donations)	-24	-25
Owners (dividends)	-58	-60
Financiers (interest and other financial expenses)	-8	-2
Economic value retained in business	337	26

Going forward

We will continue to invest in foodtech and sustainable food solutions. Research and innovation will be a key component in seeking new ingredients and collaborations for future sustainability.

Circular economy concepts and the utilisation of side streams are essential in our sustainability work and business solutions. We will strengthen our approach to packaging and innovations for reducing plastics and increasing renewable and recyclable materials in all our business areas. By giving continuous attention to production and material efficiency, we can also enhance our profitability.

Sustainability case example - For Business

Fazer Oat Rice – a true innovation for better health and climate

By introducing Fazer Oat Rice, a new meal component made of oat, we have answered the consumers' growing demand for sustainable, climate-smart food solutions. It is a plant-based, locally sourced product with a low carbon footprint. Oat Rice is a great example of Fazer's innovations for supporting health and climate.

In addition to its climate advantages, Fazer Oat Rice has a significantly better nutritional value than competing products in the category: it has more protein, dietary fibre and polyunsaturated fatty acids as well as less carbohydrates. The mild taste and full-bodied character make it a truly versatile product with a wide range of uses.

Oat Rice was first successfully launched in Sweden by Frebaco, then in Denmark and Norway under the Fazer brand followed by Finland under the Fazer Alku brand. In Sweden, Fazer Mill won the Food Award 2020 for Oat Rice.

As a modern and sustainable product, Fazer Oat Rice has become very popular among Nordic consumers in a short period of time.



Fazer Oat Rice, a new plant-based, locally sourced product with a low carbon footprint, answers consumer demand for sustainable, healthy food.

Sustainability

Stakeholder engagement

Sustainability work is a joint effort. When we develop new products and services, generate business ideas or find new ways to further develop our corporate responsibility, we listen to our stakeholders and engage in active dialogue with them. Their insights and feedback are highly valued.

Fazer's extensive value chain is an important source of insight. We engage in continuous dialogue with shareholders, employees, consumers, clients, suppliers, decision-makers, NGOs and the scientific community, giving and receiving valuable information. Our stakeholders help us recognise and anticipate trends and changes in consumer behaviour. This allows us to develop our offering in a way that answers the needs and desires of today's people.

Some of the key topics raised by our stakeholders include environmentally friendly choices, sustainable raw materials, palm oil, plastics and packaging, social responsibility, child labour, transparent communications and innovations, product availability and information. These topics are included in Fazer's sustainability programme.

We reciprocate by sharing information with our stakeholders and supporting scientific research, as well as by providing resources to advance the sustainability of our entire value chain. As part of a global community, we take part in various initiatives and commitments to find solutions to shared challenges.

We work with organisations such as the Baltic Sea Action Group, WWF, Global Compact Finland, FIBS, Climate Leadership Coalition, Hållbar Livsmedelskedja, SOS Children's Villages, the Lake Vesijärvi Foundation, Helsinki Zoo (Korkeasaari), universities such as Aalto University, Hanken School of Economics, University of Helsinki, University of Turku and University of Eastern Finland in Finland, SLU (Swedish University of Agricultural Sciences), Örebro University, Uppsala University, Umeå University, and Chalmers University of Technology in Sweden, and research networks. Together, we can make a difference.

We have identified our most important stakeholder groups and outlined several engagement methods.



KEY STAKEHOLDERS	KEY CHANNELS OF DIALOGUE	HOW WE RESPOND TO STAKEHOLDER EXPECTATIONS
Consumers	Daily encounters, customer service channels, surveys, websites and social media, packaging, visits	Through immediate connections both online and in our cafés and bakery shops we learn what people value. We turn these customer insights into new products and services. Consumers need to be able to trust the quality and safety of our products and services. We need to provide reliable information on our products and services and Fazer as a company.
Customers	Meetings and cooperation, questionnaires, newsletters, customer feedback systems, customer events	We have close customer relationships. We bring value through both services and products that are of high quality and right for the consumer.
Shareholders	Annual general meeting and Annual Review, regular reports and information meetings, other regular events such as the summer meeting, shareholders' website	We provide accurate and reliable information on our performance, governance, business development and sustainability in channels which best suit the shareholders.
Employees	Individual Performance Management Process, continuous communication between managers and employees, personnel events, personnel surveys, Fazer's whistleblowing service, intranet and other internal channels, communication between employees/managers and local HR	Through official communication channels and processes, we can communicate with all employees. Through direct communication between employees, managers and HR, we ensure daily dialogue with employees.
Suppliers	Supplier relationship management process, meetings, agreements, supplier requirements, audit questionnaires, audits, monitoring meetings and visits	We have close supplier relationships and we cooperate with our suppliers for example in the area of sustainability.

KEY STAKEHOLDERS

Society (authorities and governments, media, NGOs and local communities)

Universities and research institutes, start-ups

Investors and financial institutions

KEY CHANNELS OF DIALOGUE

Meetings, partnerships and collaboration, questionnaires, events

Partnerships and collaboration

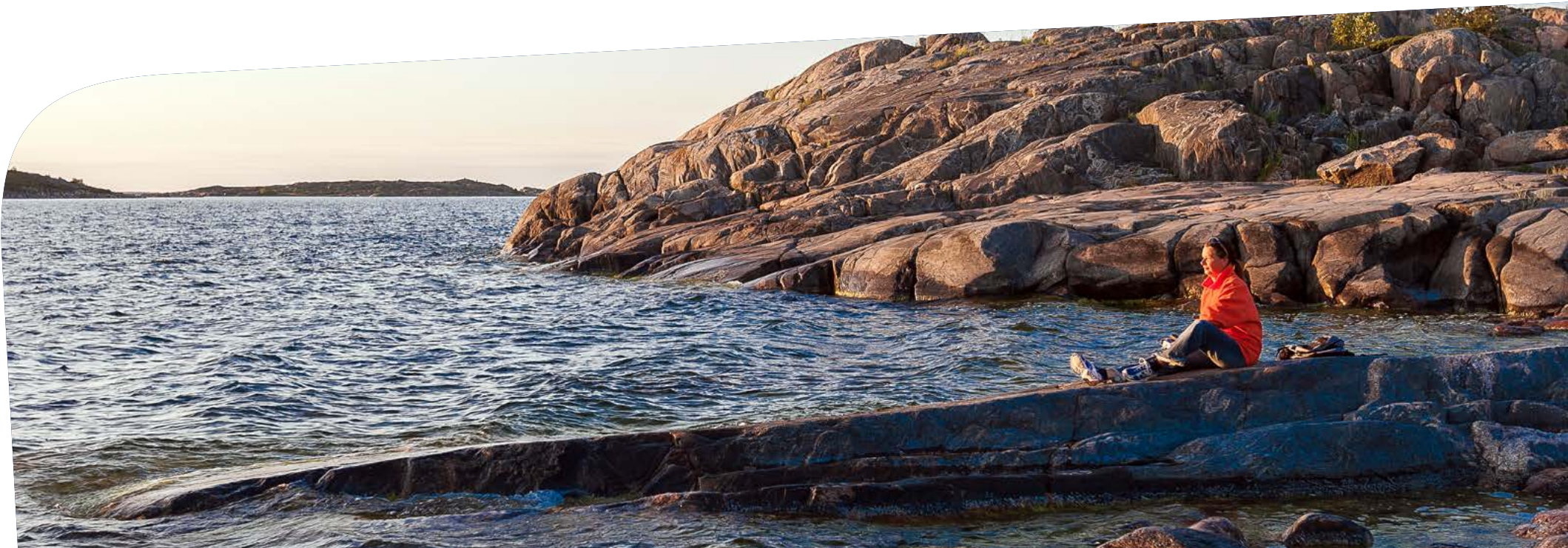
Meetings and collaboration

HOW WE RESPOND TO STAKEHOLDER EXPECTATIONS

We create value to the society and engage in active dialogue. We are members in and have partnerships with various organisations. We believe in open and transparent communication.

Through partnerships and by combining our own research with university and start-up collaboration, we expand our own expertise and improve our capabilities to introduce sustainable innovations with social significance.

We provide accurate and reliable information on our performance, governance and business development as well as sustainability.



Sustainability

Managing sustainability

In order to carry out our sustainability work efficiently, we manage our activities in a consistent way. Our policies and guidelines, aligned with international principles, give structure and focus to our efforts.

Our continuous sustainability work is managed by the sustainability team and sustainability and QEHS network and steered by the Sustainability Leadership Forum. Each of these functions has a clearly defined role and specific responsibilities. The highest authority in sustainability matters lies with our Board of Directors and Group Management Team.

In our efforts, we are guided by our Sustainability Policy, Human Rights Policy, QEHS Policy, governance practices and procedures. Fazer's ethical principles are based on the ten international principles of the UN Global Compact, which we signed in 2012. We are also strongly committed to supporting the implementation of the United Nations' Sustainable Development Goals (SDGs) and have defined the ways in which our sustainability work contributes to them.

Board of Directors

Approves ethical principles.'

Group Management Team

Approves policies and objectives.'

Group President bears the ultimate responsibility.'

Group EVP, Communications and Sustainability is responsible for sustainability.'

Head of Function

Approves instructions.'

Business Areas and Business Units

Implement sustainability approach and action plans as well as strategic outlines, and set targets and objectives.'

Set sustainability focus areas.'

Implement instructions, practices and operating models.'

Sustainability Team

Develops sustainability approach, supports its implementation and reports on its progress.

Sustainability Leadership Forum

Ensures alignment within the Group: drafts Group-level strategies, policies, guidelines, targets and positions.'

Assesses, monitors and develops sustainability topics within the Group.'

Ensures the agreed actions are implemented.'

Escalates and prepares issues for the right decision forums.'

Sustainability and QEHS Network

Ensures sustainability alignment within the Group.

Ensures the effective use of resources.

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

Occupational health and safety management system

The health and safety of our people is of the utmost importance to us, and Fazer's QEHS policy covers the entire organisation. The OHS management systems of Fazer sites are based on the local legislative requirements and most of them also hold the ISO 45001 certificate (**see table of certifications**).

Hazard identification and risk assessments form the basis of our health and safety management system. In addition to local risk assessments, the QEHS risks are reviewed on an annual basis at the group level and actions to control and mitigate the risks are taken.

Learning from incidents and taking preventive and corrective actions is crucial to ensure that similar incidents do not happen again. That is why all work-related incidents must be reported and investigated and information on the root causes and corrective actions is shared within the organisation. The OHS statistics are reported on a monthly basis to the management and the safety reports are also available on the company intranet.

To increase awareness of safety and maintain a proactive safety culture, employees are encouraged to actively report safety observations and to conduct safety dialogues. Employees are also advised to remove themselves from work situations which they believe could cause injury or ill health. Employee representatives also participate in the development of our health and safety management systems e.g. in the local health and safety committees.

Employees receive both generic company-level safety training and local safety training relevant to the role and job. Job-specific safety training is a mandatory part of the new employee induction programme and it is available in the local language. Safety trainings are free of charge and conducted during working hours, except those online safety trainings which must be completed before entering the site. Employees working in production have annual refresher trainings, and certain qualifications such as electrical safety and working in confined spaces must be regularly renewed.



	QEHS STANDARDS				FOOD SAFETY STANDARDS				
	ISO 9001	ISO 14001	ISO 45001	ISO 50001	FSSC 22000	ISO 22000	IFS	AIB	AOECS GLUTEN FREE
Fazer Confectionery									
Vantaa	X	X	X		X				
Lappeenranta	X	X	X		X				
Hako (Lahti Crisps)					X		X		
Fazer Bakery Finland									
Vantaa		X			X				
Lahti		X			X				
Lappeenranta		X			X				
Vuohela									X
Fazer Bakery Sweden									
Eskilstuna		X	X		X				
Lidköping		X	X		X		X		
Lund		X	X		X				
Umeå		X	X		X		X		
Stockholm office		X	X						
Fazer Bakery Russia									
Smolenskaya	X	X	X		X	X			
Murinsky	X	X	X		X	X			
Neva	X	X	X		X	X			
Zvezdny	X	X	X		X	X			
Fazer Bakery Baltics									
Ogre				X	X				
Kaunas					X				
Fazer Lifestyle Foods									
Mills Finland Lahti			X		X			X	
Mills Sweden Lidköping		X			X				
Koria					X				

Sustainability

Reporting principles

In this report, Fazer has used the Global Reporting Initiative (GRI) Standards (GRI-referenced) in order to facilitate easier comparison of our sustainability performance with other companies and organisations. A table showing how the sustainability performance indicators presented in our report comply with the GRI Standards is presented in the GRI Content Index. We have also reported on Fazer's own topics in accordance with the GRI standards reporting practice.

The reporting period corresponds with the calendar year and with Fazer's financial year of 1 January –31 December 2020. The content and selected indicators are based on stakeholder feedback and a materiality analysis. Fazer's sustainability Core goals were developed in 2018–2019 to define the focus areas of our sustainability work.

Our approach to sustainability has also been described in the letter from the President and CEO, in the strategy description and in Fazer's Non-financial information statement. The reporting scope covers all major sites and all production units, unless otherwise indicated.

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 is collected through HR information systems and provided by our HR organisation.

The environmental data has been collected from our production units in Finland, Sweden, Russia, Latvia and Lithuania. In the end of 2020 we had 21 production sites. Business travel data has been collected from Fazer's travel agency. Logistics and leasing car fuel consumption data has been collected from Fazer's service providers and covers Finland and Sweden. The logistics data covers the outbound transportation of products from Fazer's production units to customers. The environmental data has been collected from manufacturing sites using a customised data collection spreadsheet. The data has been further consolidated on the Group level.

Fazer's environmental performance has been reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, with an Operational Control approach. 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). Our service provider guarantees the renewable origin of our purchased electricity. The scope 3 Purchased goods and services-related greenhouse gas emissions are calculated using WRI Cool Food Pledge Calculator CO₂e emission factors (Poore and Nemecek, 2020 for food-related data) and the DEFRA Database (UK Government GHG Conversion Factors for Company Reporting, for packaging and indirect materials, 2020) based on the recommendation of external consultants.

Concerning the Core goals 1 & 2 we have made changes in our calculation method, extended the scope of the reporting and updated our emission factors. The classification of production tonnes has been changed, now excluding the side stream fractions classified as human non-edibles. The production volumes used in the GHG Intensity denominator in the Core goal 1 and Core goal 2 calculations are based on the data from Fazer's Enterprise Resource Planning (ERP) system.

Due to these changes in the calculations, we do not have comparable data from the baseline year 2015 to be able to report on the progress of the Core goal performance vs. 2015 baseline, nor is the earlier data on Core goals reported in the 2019 Sustainability report fully comparable with this year's data. Therefore, we have included recalculated data for 2019 which is comparable with the presented 2020 data. The changes were necessary to increase the accuracy of the emission calculations.

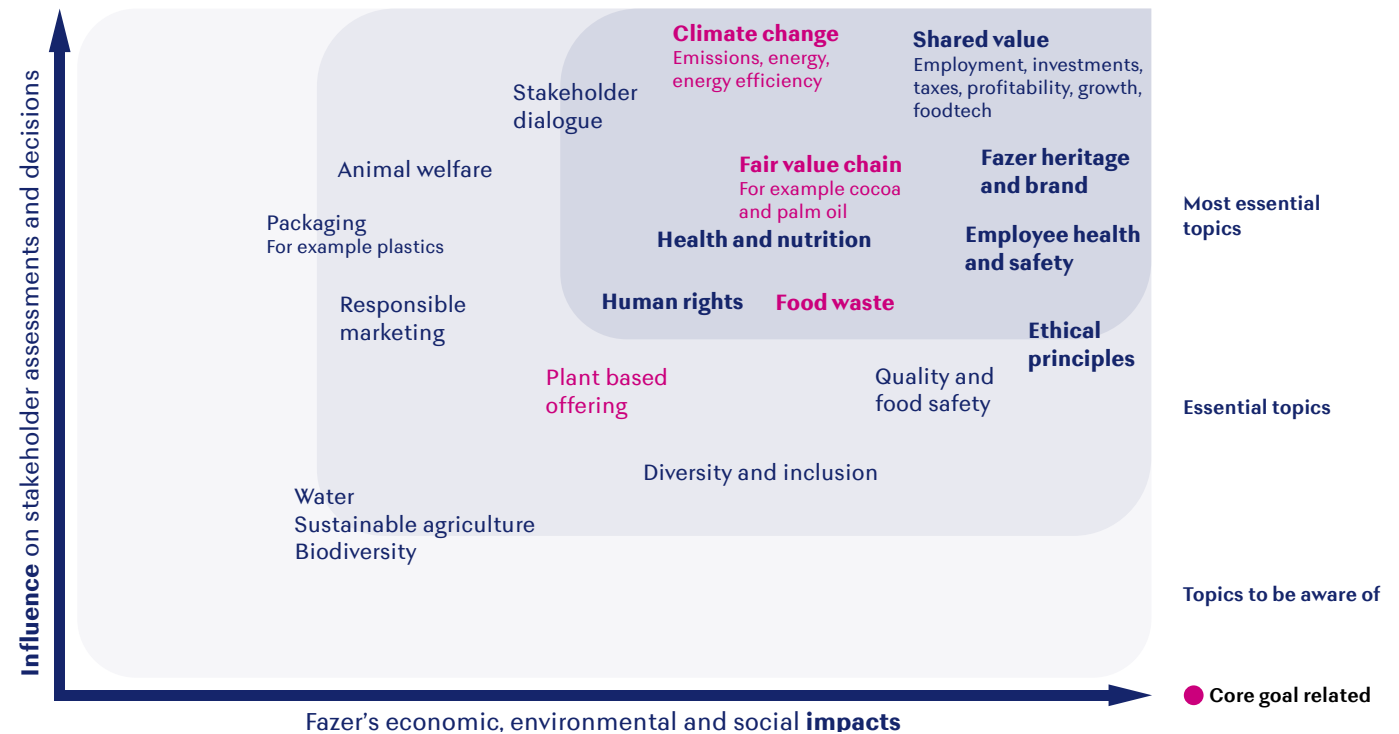
Materiality update

In 2020, we carried out a concise updating process of Fazer's materiality analysis. As a basis, we used the Wheel of Essentials, which is Fazer's overview of material sustainability topics.

We applied the materiality analysis approach of the Global Reporting Initiative in the update. First, we identified potentially material topics by combining Fazer's expertise and existing stakeholder insight. Second, we prioritised them by using the GRI materiality matrix model. As a final step, Fazer's management validated the materiality approach.

As a conclusion, the existing Fazer Wheel of Essentials covers material topics well, and we continue with it and the current Core goals. The materiality matrix complements the Wheel of Essentials and the Core goals from the perspective of prioritisation.

Fazer materiality matrix



GRI CONTENT INDEX

GRI STANDARD	YEAR	DISCLOSURE TITLE	LOCATION	COMMENTS
Ethics and integrity				
102-16	2016	Values, principles, standards, and norms of behaviour	Managing sustainability Mission and vision For business Renewed values make Fazer unique	
102-17	2016	Mechanisms for advice and concerns about ethics	For business	
Reporting practice				
102-47	2016	List of material topics	Material topics and GRI Standards	
Stakeholder engagement				
102-40	2016	List of stakeholder groups	Stakeholder engagement	
102-42	2016	Identifying and selecting stakeholders	Stakeholder engagement	
102-43	2016	Approach to stakeholder engagement	Stakeholder engagement	
102-44	2016	Key topics and concerns raised	Stakeholder engagement	
Economic Performance				
201-1	2016	Direct economic value generated and distributed	Fazer creates value	
Indirect Economic Impacts				
203-2	2016	Significant indirect economic impacts	Core goals – working towards a more sustainable tomorrow For people Sustainability highlights in 2020 For planet For business	
Materials				
301-1	2016	Materials used by weight or volume	For planet	Reported for packaging materials. Information not available from Fazer Mills Finland, Fazer Lifestyle Foods Kaarina and Korja production units.
Energy				
302-1	2016	Energy consumption within the organisation	Core goals – working towards a more sustainable tomorrow	
302-3	2016	Energy intensity	Core goals – working towards a more sustainable tomorrow	

GRI CONTENT INDEX

GRI STANDARD	YEAR	DISCLOSURE TITLE	LOCATION	COMMENTS
Water				
303-1	2018	Interactions with water as a shared resource	For planet	We are working with our stakeholders to identify potential water risks in value chains and to develop the sustainable use and management of water.
303-5	2018	Water consumption	For planet	See above.
Emissions				
305-1	2016	Direct (Scope 1) GHG emissions	Core goals – working towards a more sustainable tomorrow	No information available for cooling chemical leakages and fuel usage for leasing cars in the Fazer Bakery Baltics, Fazer Bakery Russia and Retail Business Units. Emissions from logistics (company's own fleet/fuel usage) available only from Fazer Bakery Sweden.
305-2	2016	Energy indirect (Scope 2) GHG emissions	Core goals – working towards a more sustainable tomorrow	
305-3	2016	Other indirect (Scope 3) GHG emissions	Core goals – working towards a more sustainable tomorrow	Emissions from inbound logistics of materials to production sites or commuting are not reported. No information available for emissions of packaging materials used in Fazer Mills Finland, Faze Lifestyle Foods Kaarina and Korja production units or emissions of outbound logistics in Fazer Bakery Baltics, Fazer Bakery Russia and Retail Business Units.
305-4	2016	GHG emissions intensity	Core goals – working towards a more sustainable tomorrow	
Waste				
306-1	2020	Waste generation and significant waste-related impacts	For planet Core goals – working towards a more sustainable tomorrow	
306-2	2020	Management of significant waste-related impacts	For planet Core goals – working towards a more sustainable tomorrow	
Oy Karl Fazer Ab own topic		Food waste tonnes/tonnes produced	Core goals – working towards a more sustainable tomorrow	

GRI CONTENT INDEX

GRI STANDARD	YEAR	DISCLOSURE TITLE	LOCATION	COMMENTS
Occupational Health and Safety				
403-1	2018	Occupational health and safety management system	Managing sustainability	
403-2	2018	Hazard identification, risk assessment, and incident investigation	Managing sustainability	
403-4	2018	Worker participation, consultation, and communication on occupational health and safety	Managing sustainability	
403-5	2018	Worker training on occupational health and safety	Managing sustainability	
403-9	2018	Work-related injuries	For people	
Diversity and Equal Opportunity				
405-1	2016	Diversity of governance bodies and employees	For people	
Human Rights Assessment				
412-2	2016	Employee training on human rights policies or procedures	For people	
Oy Karl Fazer Ab own topic		Sustainable Farming Principles	For planet	
Customer Health and Safety				
416-1	2016	Assessment of the health and safety impacts of product and service categories	For business	
Oy Karl Fazer Ab own topic		Share of plant-based products in offering	Core goals – working towards a more sustainable tomorrow	
Oy Karl Fazer Ab own topic		Amount of product recalls	For business	
Marketing and Labeling				
417-3	2016	Incidents of non-compliance concerning marketing communications	For business	
Oy Karl Fazer Ab own topic		Share of cage-free eggs	Core goals – working towards a more sustainable tomorrow	

MATERIAL TOPICS AND GRI STANDARDS

FAZER'S MATERIAL TOPIC	GRI STANDARD
Climate change (emissions, energy, energy efficiency)	Energy (302) Emissions (305)
Shared value (employment, investments, taxes, foodtech, profitability, growth, brand)	Economic Performance (201) Indirect Economic Impacts (203)
Fazer heritage and brand (Oy Karl Fazer Ab own topic)	
Employee health and safety	Occupational Health and Safety (403)
Plant based offering (Oy Karl Fazer Ab own topic) Health and nutrition (Oy Karl Fazer Ab own topic)	
Fair value chain (for example cocoa and palm oil) / Human rights	Human Rights Assessment (412)
Food waste (Oy Karl Fazer Ab own topic)	Waste (306)
Ethical principles	Ethics and integrity (102)
Stakeholder dialogue	Stakeholder engagement (102)
Quality and food safety (Oy Karl Fazer Ab own topic)	
Plant based offering (Oy Karl Fazer Ab own topic)	
Animal welfare (Oy Karl Fazer Ab own topic)	
Responsible marketing	Marketing and Labelling (417-3)
Diversity and inclusion	Diversity and Equal Opportunity (405)
Water management	Water (303)
Packaging	Materials (301)
Sustainable agriculture / Biodiversity (Oy Karl Fazer Ab own topic)	

Governance

Corporate Governance

The Corporate Governance of Oy Karl Fazer Ab and its subsidiaries (Fazer Group, Fazer or Group) follows the rules and regulations defined by the Articles of Association, the Finnish legislation and the corporate governance principles, which are based on the Finnish Companies Act and, to some extent, the recommendations for listed companies in Finland, the Corporate Governance Code in 2020.

The aim of the Corporate Governance is to support good corporate governance in the Group, maintaining and promoting high quality of decision-making and administration.

Shareholders' General Meeting

The General Meeting of Shareholders hold the highest power of decision in Fazer Group. The Annual General Meeting must be held within six months after the end of a financial year, at the latest in June in Helsinki or Vantaa. The Annual General Meeting addresses issues it is responsible for, according to current legislation and Fazer's Articles of Association, such as approving the Group's Financial Statements, deciding on dividend distribution, appointing the Board of Directors and auditors and deciding on their compensation.

According to the Articles of Association, notices of meetings for the General Meeting of Shareholders are sent by regular mail at the latest 14 days before each General Meeting.

An Extraordinary General Meeting must be held, for example, when the Board of Directors considers it necessary.

Board of Directors

The Owners' Council, appointed by the shareholders, appoints and convenes the Nomination Committee, which is responsible for preparing proposals regarding the composition of the Board of Directors and the compensation of Board members.

The Nomination Committee consists of one Owners' Council representative, the Chairman of the Board of Directors and one independent Board member.

The composition and duties of the Board of Directors

According to Fazer's Articles of Association, the Board of Directors consists of no less than five and no more than ten members who are elected annually at the General Meeting of Shareholders. The Board of Directors has general jurisdiction in all issues that are not required of other institutions under the Finnish Companies Act and the Group's Articles of Association. Under the terms of the Finnish Companies Act, the Board of Directors is responsible for ensuring that the Group's administration and operations are managed appropriately. The Board of Directors has a general obligation to pursue the best interests of the Company and all of its shareholders, to which it is accountable.

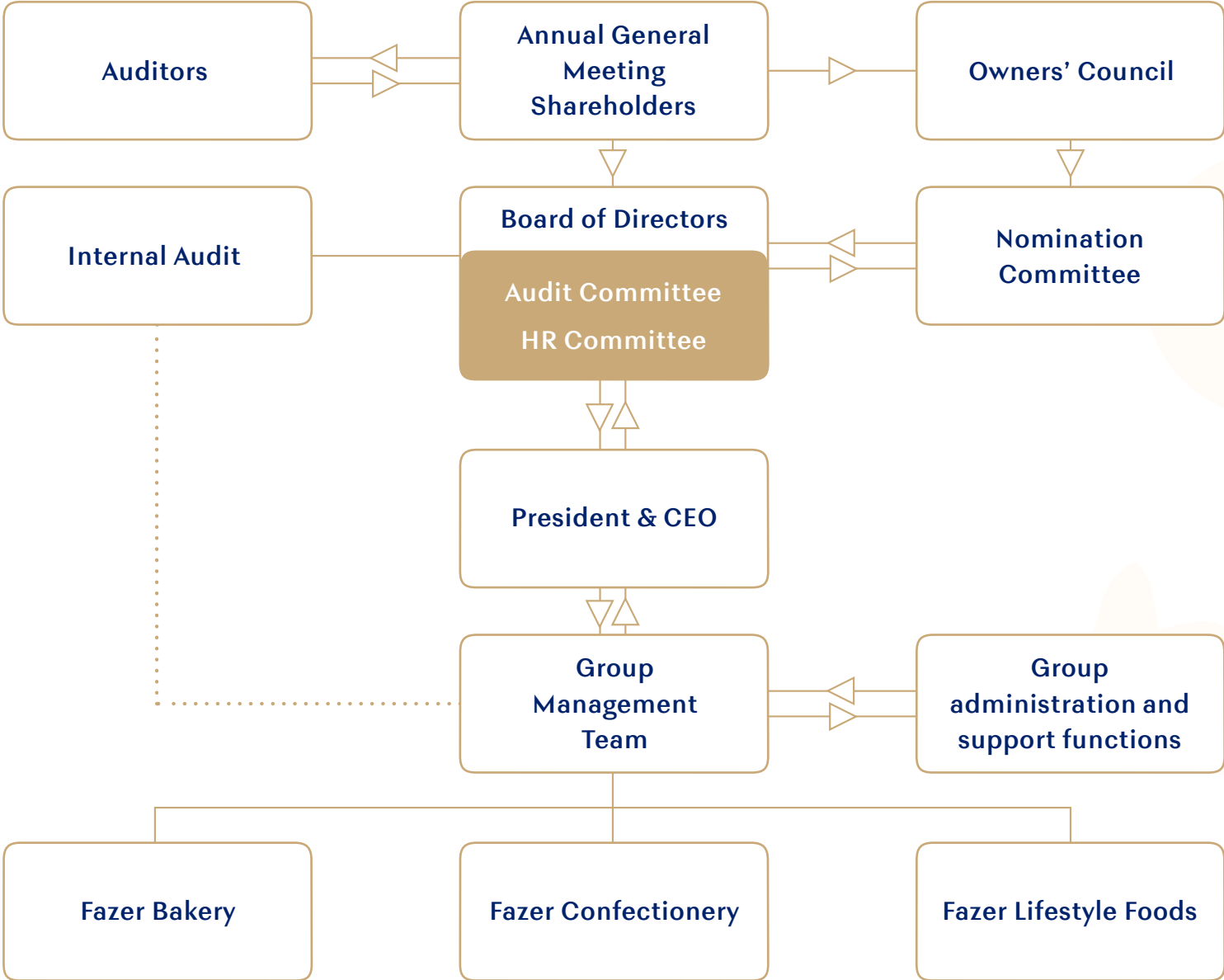
The Board of Directors is responsible for:

- *ensuring that accounting and financial control are managed appropriately*
- *approving the Group's values and strategy*
- *approving annual business plans*
- *deciding on acquisitions, divestments and strategic investments*
- *monitoring the financial performance and position of the Group*
- *appointing the Chief Executive Officer (CEO) and deciding on the remuneration of the Group's senior management*

In addition, the Board of Directors assesses its own performance and cooperation with the management.

The Board of Directors comprises Berndt Brunow (Chairman), Anders Dreijer (Vice Chairman), Klaus Cawén, Ketil Eriksen, Jan Fazer, Johan Linder, Casper von Koskull, Cecilia Marlow and Juhani Mäkinen.

Governance model



Meeting practices

The Board of Directors holds at least eight meetings per year. The Annual Financial Statements are approved in April at the latest and the interim reports during each three-month period. As a rule, the Group's strategy is approved in June. The business plans for the year and bonus programmes for senior management are approved at the first meeting of the year. Additional meetings can be convened, if necessary, by the Chairman of the Board, the CEO or a member of the Board.

To discharge its responsibilities properly, the Board of Directors shall meet as often as necessary. In 2020, the Group's Board of Directors convened 16 times. The COVID-19 pandemic and the unprecedented changes in the operating environment following the outbreak of the corona virus disease, brought on a reinforced focus on safety and business continuity.

Chairman of the Board of Directors

The Board of Directors appoints a chairman from amongst its members. The Chairman of the Board of Directors is responsible for managing the activities of the Board, convening the Board and preparing Board meetings in cooperation with the CEO. The Chairman works closely and actively with the CEO and should be well informed on significant issues affecting the Group and its stakeholders. The Chairman and the CEO are responsible for ensuring that the members of the Board are informed about matters concerning the Group and that notices of meetings, agendas and all relevant documents are delivered to the members of the Board of Directors well in advance of meetings.

The Chairman and the CEO are also responsible for maintaining contact with the Owner's Council.

Committees of the Board of Directors

The Board of Directors decides on appointing committees and their members. Committees are responsible for preparing issues coming up for decision at the Board of Directors' meetings. Fazer's Board of Directors has appointed an Audit Committee and an HR Committee.

Audit Committee

The task of the Audit Committee is to assist the Board of Directors in its responsibilities related to the appropriate arrangement of the control of the Group's accounts and finances. The Audit Committee shall take in-depth interest in audits, control internal auditing, financial reporting and risk management and the Group's financial situation as well as participate in interim audits.

The Audit Committee comprises Jan Fazer (Chairman), Anders Dreijer, Ketil Eriksen and Juhani Mäkinen. The Committee held six meetings during the financial period and, apart from ordinary issues, it dealt with questions related to e.g. information security, the development of non-core assets, compliance upgrade projects and the impact of COVID-19 on business risk.

HR Committee

The task of the HR (Human Resources) Committee is to assist the Board of Directors in its responsibilities related to employment and rewarding of the CEO and the Group's senior management, monitoring the total compensation of the management and incentive programmes of the personnel and to evaluate the management's work including reviewing the employee satisfaction survey results.

The HR Committee comprises Berndt Brunow (Chairman), Klaus Cawén, Johan Linder and Cecilia Marlow. The Committee has met four times during the financial period and prepared issues for the Board related to, for example, the Fazer people strategy, leadership development, and incentive programmes of the personnel.

CEO and Deputy CEO

Fazer's Board of Directors appoints and dismisses, if needed, the CEO, who is also the Group President. Under the requirements of the Finnish Companies Act, the CEO is responsible for the day-to-day administration of the company, in line with the instructions of the Board of Directors, and for ensuring that the company's accounting is carried out in accordance with legal requirements and that the company's financial management is handled appropriately. The CEO reports to the Board of Directors and informs the Board of Fazer's operating environment, e.g. customers, competition and market situation and Fazer's financial position and development. The CEO is supported by the Group Management Team and the Deputy CEO, who is nominated by the Board of Directors, when needed. Christoph Vitzthum is the CEO and President whereas Jouni Grönroos is the Deputy CEO.

Group Management Team

The Group Management Team consists of the CEO (Chairman), the Managing Directors (MD) of the Business Areas, and the Heads of certain Group functions. The duties of the Group Management Team are to support the CEO in his/her tasks and to draft propositions to the Board. The Group Management Team also e.g. coordinates operations across the Group and secures efficient operations on Group level. The Group Management Team comprises Christoph Vitzthum (CEO & President, Chairman), Jouni Grönroos (CFO & Deputy CEO), Marko Bergholm (MD Fazer Bakery Finland), Markus Hellström (MD Fazer Confectionery), Sebastian Jägerhorn (EVP Legal & Compliance), Mats Liedholm (MD Fazer Lifestyle Foods), Joséphine Mickwitz (EVP Communications & Sustainability) and Lara Saulo (EVP, People & Transformation). Andreas Berggren (MD Fazer Food Services) was a member of the Group Management Team until 31 January 2020 when the sale of Fazer Food Services to Compass Group was closed, Nathalie Ahlström (MD Fazer Confectionery) until 30 September 2020 and Ulrika Romantschuk (EVP Communications & Branding) until 31 October 2020. Marko Bergholm and Markus Hellström became members of the Group Management Team on 1 October 2020 and Joséphine Mickwitz on 9 November 2020.

Fazer Group also has a Fazer Leadership Team. In addition to the members of Group Management Team, the Fazer Leadership Team also includes VP, Marketing, Fazer Group Aaron Barsness, the Managing Director of Fazer Bakery Baltics Klavs Berzins, Head of Fazer Group Procurement Bengt Erlandsson, the Managing Director of Fazer Bakery Russia Vladimir Kalyavin, the Managing Director of Fazer Bakery Sweden Petri Kujala, the Managing Director of Commercial Units at Fazer Confectionery Tom Lindblad and the Managing Director of Fazer Retail Johan Rosenblom.

Risk management

Risk management is an important part of the management system of Fazer Group. The Board of Directors approves the risk management policy and monitors its compliance. Risk management is a continuous and systematic process and its task is to support the implementation of the Group's strategy and business targets, secure the recognition of risks affecting the company's business, assess, monitor and anticipate threats and opportunities affecting business and secure the continuity of operations.

The management of the Business Areas, Business Units and Group functions is responsible for the identification and evaluation of the risks of their respective areas and for mitigating these risks as part of their operative activities. Financial risks are administered by Group Finance. The Group's Chief Financial Officer (CFO) is responsible for the management and development as well as reporting of risk management to the Board and the Audit Committee. The CFO also supports the Business Areas, Business Units and Group functions in risk management.

Fazer defines risk as external or internal uncertainty that may affect the Group in the execution of its strategy, achievement of its goals or continuity of its businesses. Risks may be caused by events within Fazer, or by external conditions or events. For the identification and monitoring of risks, these are divided into four categories: strategic risks, operational risks, hazard risks and financial risks.

Strategic risks are external risks that affect the whole industry (change in demand, raw material availability, change in regulation, change in competitive field, etc.) or self-inflicted risks due to strategic choices (new business development, M&A, partnerships, dependency on one market/customer, sustainability, etc.). Focus on strategic period: 3–5 years.

STRATEGIC RISK
Adaptability, markets
and customers,
business development

Financial risks are related to changes in market prices, the sufficiency of financial assets and the ability of counterparties to meet their financial obligations.

FINANCIAL RISK
Foreign exchange, interest
rate, liquidity, funding,
counterparty

Operational risks are related to the implementation of the strategy and everyday business activities. These include, for example, supply chain efficiency, customer relations, raw material prices, managing projects, IT, security and personnel related risks. Focus on budgeting period: 1–2 years.

OPERATIONAL RISK
Personnel, processes **and**
controls, operational
framework

The most significant risk related to Fazer's operations includes raw material risks (price and availability risks mitigated with e.g. hedging and contractual arrangements), risks related to customers and consumer demand (mitigated with e.g. portfolio and brand management), product safety risks (mitigated with e.g. food safety management and quality certifications), political environment (mitigated with e.g. close monitoring of political development) and hazard risks (mitigated with e.g. Group insurance programmes, regularly updated risk analyses and continuity plans for all key plants as well as investments in workplace safety to prevent occupational accidents and risk of occupational diseases). These risks together or separately may have an effect on Fazer's business, results, financial standing, competitiveness or reputation.

Hazard risks comprise errors, malfunctions and accidents that occur within Fazer or in the business environment and that cause damage or loss.

HAZARD RISK
Property, liability,
health and safety

Climate change affecting raw material availability, price and quality as well as water-related risks are recognised risks for food production. Fazer has recognised potential risks compromising human rights or unethical practices that may occur especially within the value chains. Any possible risk related to the realisation of human rights, anti-corruption or bribery is managed with the help of personnel training, internal policies and audits. Human rights related risks are also mitigated by following UN Guiding Principles on businesses and human rights and processes described in these guiding principles. Fazer has implemented a whistleblowing system that provides an opportunity to report suspicions of misconduct. It is available to employees and external parties.

All Fazer's markets were impacted by the COVID-19 pandemic. The Retail business, including the Fazer Cafés and the Gateau bakery shops, Travel Retail, the frozen bakery business as well as on the go categories were most severely hit. Prompt mitigation actions were taken throughout the year to ensure safety and business continuity.

Internal Audit

Fazer Internal Audit role is to enhance and protect organisational value by providing independent, objective assurance and to contribute to the continuous improvement of risk management and internal controls. Internal Audit reports to the Audit Committee. Internal Audit conducts audit assignments according to the annual audit plan that is approved by the Audit Committee. The results of these assignments are regularly reported to Group Management, auditors and the Audit Committee.

Auditors

The Group's auditors are appointed by the Annual General Meeting for a term of one year. The auditors are responsible for auditing the Group's accounts, financial statements and administration. The details of these duties are contained in the relevant legislation and regulations covering good auditing practices. The auditors participate in the Annual Meeting of the Board of Directors devoted to consideration of the Group's Financial Statements and to meetings of the Audit Committee.

Ethical principles of Fazer Group

Fazer's ethical principles are based on Fazer's common values and international principles drawn up by the UN Global Compact, which aims to promote good corporate citizenship and sustainable development. The ethical principles of Fazer Group guide Fazer's employees in treating customers, cooperation partners and work colleagues in an equal and fair way.

Through the ethical principles, Fazer as an employer is committed to providing all its employees in every country with modern and safe working conditions, and to ensuring the employees' health, occupational well-being and work satisfaction, as well as treating every employee in an equal manner.



Board of Directors



Berndt Brunow

b. 1950

Master of Economic Sciences
Chairman of the Board of
Directors of Oy Karl Fazer Ab 2009–
Chairman of the HR Committee



Anders Dreijer

b. 1953

Master of Science (Technology)
Vice Chairman of the Board of
Directors of Oy Karl Fazer Ab 1994–
Member of the Audit Committee



Klaus Cawén

b. 1957

Master of Laws
Member of the Board of Directors
of Oy Karl Fazer Ab 2002–
Member of the HR Committee



Ketil Eriksen

b. 1963

Bachelor of Science (Economics)
Member of the Board of Directors
of Oy Karl Fazer Ab 2009–
Member of the Audit Committee



Jan Fazer

b. 1975

Member of the Board of Directors
of Oy Karl Fazer Ab 2012–
Chairman of the Audit
Committee



Casper von Koskull

b. 1960

Master of Science (Economics
and Business Administration)
Member of the Board of Directors
of Oy Karl Fazer Ab 2020–



Johan Linder

b. 1959

Master of Laws
Member of the Board of Directors
of Oy Karl Fazer Ab 2000–
Member of the HR Committee



Cecilia Marlow

b. 1960

Master of Business
Administration
Member of the Board of Directors
of Oy Karl Fazer Ab 2016–
Member of the HR Committee



Juhani Mäkinen

b. 1956

Master of Laws, lagman
Member of the Board of Directors
of Oy Karl Fazer Ab 2006–
Member of the Audit Committee

Group Management Team 2020



Christoph Vitzthum
b.1969
Master of Economic Sciences
President and CEO, Fazer Group



Marko Bergholm
b.1970
Bachelor of Business Administration, Economic Sciences
Managing Director, Fazer Bakery Finland and Executive Vice President, Fazer Group



Jouni Grönroos
b.1965
Master of Economic Sciences
CFO and Deputy CEO, Fazer Group



Markus Hellström
b.1974
Master of Sciences, Engineering
Managing Director, Fazer Confectionery and Executive Vice President, Fazer Group



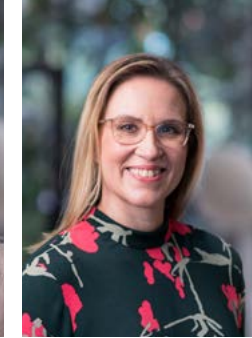
Sebastian Jägerhorn
b.1969
Master of Laws, Master of Economic Sciences
Legal and Executive Vice President, Fazer Group



Mats Liedholm
b.1965
Master of Sciences, Marketing and International Business
Managing Director, Fazer Lifestyle Foods and Executive Vice President, Fazer Group



Joséphine Mickwitz
b.1968
Master of Economic Sciences
Communications & Sustainability and Executive Vice President, Fazer Group



Lara Saulo
b.1972
Master of Economic Sciences
People & Transformation and Executive Vice President, Fazer Group*

Andreas Berggren

Managing Director, Fazer Food Services, a member of the Group Management Team until 31 January 2020 when the sale of Fazer Food Services to Compass Group was closed.

Nathalie Ahlström

Managing Director, Fazer Confectionery, a member of the Group Management Team until 30 September 2020.

Ulrika Romantschuk

Communications & Branding, Executive Vice President, a member of the Group Management Team until 31 October 2020.

* Lara Saulo from 1 March 2021 onwards: Managing Director, Fazer Bakery Business Area & Group Transformation and Executive Vice President, Fazer Group

Board of Director's Report

The year 2020 was clearly defined by the global COVID-19 pandemic and related disruptive challenges. All of Fazer's markets were impacted by the pandemic but, thanks to several agile measures and the professionalism of Fazer employees, Fazer showed clear resilience to the prevailing crisis.

Throughout the year, Fazer continued its transformation into a modern, sustainable fast-moving consumer goods (FMCG) company, supported by the divestment of Fazer Food Services. The implementation of a new operating model was started, including changes in the commercial organisation, in marketing and in procurement, as well as reorganising Group functions. Actions to increase efficiency in manufacturing included transferring the production of xylitol pastilles and chewing gum from the factory in Karkkila to Lappeenranta and the production of Fazer Yosa oat products from Kaarina to Korja. During the year, several measures were taken to drive operational excellence, synergies and value.

After the review period, Fazer announced the introduction of a new operating model in Fazer Bakery Sweden. The new model includes a re-seller and co-distribution agreement with the Swedish bakery sales company Polfärskt and reduces the number of bakeries from four to three.

In 2020, net sales from continuing operations remained at the previous year's level and the operating profit improved.

Operating environment and market development

Fazer's main focus in its operations is in the bakery, confectionery, non-dairy and plant-based food and milling markets through its three Business Areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods. Fazer Retail, previously a separate business, was integrated with the Fazer Confectionery Business Area in 2020. In addition, the crisp business was transferred from Fazer Bakery to Fazer Confectionery. Geographically, the Group's main markets are the Nordics, Russia and the Baltics with export sales to approximately 40 countries globally.

Consumer behaviour changed in several ways in 2020 due to the exceptional situation. The economic uncertainty affected the level of price sensitivity as the popularity of value alternatives increased. Locally produced food and raw materials continued to appeal to consumers looking for transparency and safety. Domestic travel further supported this development. Home cooking increased as people increased remote working, and restaurants were either closed or avoided. Social distancing also brought a substantial increase in online shopping and food deliveries.

Certain trends which existed pre-COVID saw a clear acceleration but also polarised some consumption drivers. Well-being as a trend has been growing for years, and it further accelerated as people increasingly acknowledged the role of food as part of a healthy lifestyle. During the pandemic, hygiene quickly became a preference driver which very soon took its toll on, for example, unpacked products such as pick 'n' mix sweets.

In Finland, the bakery market was affected by the pandemic in the spring but turned back to growth towards the end of the year. The bake-off market recovered fast, while the fresh pre-packed market performed strongly throughout the year as demand for packed bread increased substantially. Demand for frozen products declined as restaurants and hotels faced restrictions and closures. In Sweden, the market grew throughout the year. In Russia, the market started to gradually recover towards the end of the year but, due to increased price sensitivity, lower-price bakery segments continued to grow throughout the year. The development was similar also in the Baltics. Fazer is mainly known as a premium brand in the Baltic countries and Russia.

The confectionery market grew in Finland and Sweden. In Finland, Fazer's market share remained close to last year's level, and in Sweden, Fazer gained market share. The travel retail market, an important market for Fazer, was heavily impacted throughout the year by the travel restrictions imposed from the start of the pandemic. Remote work, restrictions and recommendations regarding gatherings alongside general cautiousness affected customer traffic, especially in city centres and malls, and, as a consequence, also cafés and bakery shops were impacted.

In Fazer Lifestyle Foods, the non-dairy market continued to grow, and the breakfast category strengthened. Demand for oat and rye flour remained strong in the milling business. The smoothie category declined particularly in the on-the-go channels as consumers reduced their everyday travelling and commuting due to COVID-19.

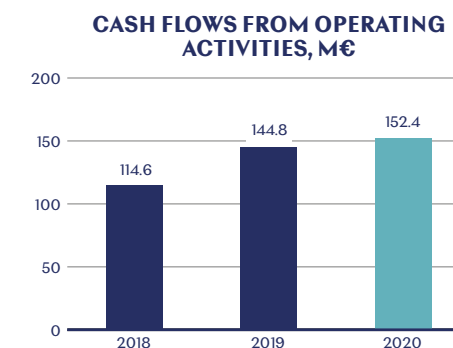
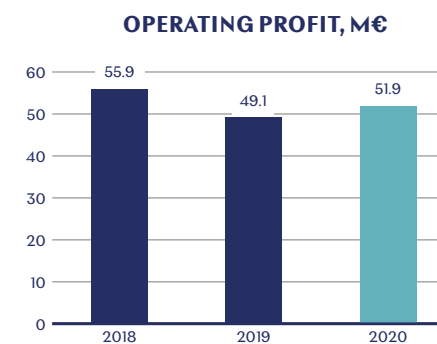
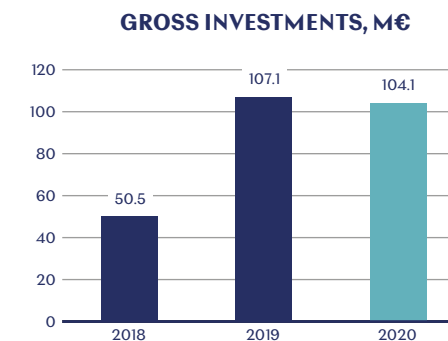
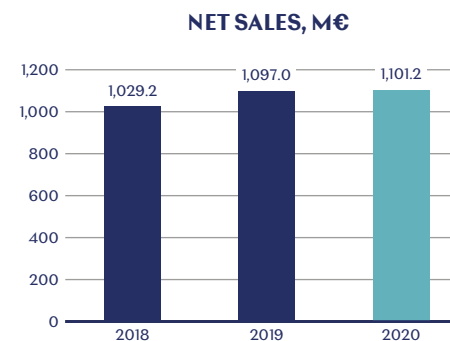
Discontinued operations

The sale of the Fazer Food Services business to Compass Group was completed on 31 January 2020. Fazer Food Services is reported as discontinued operations in Fazer Group's Financial Statements for 2019 as well as for the one-month period ending 31 January 2020. In 2020, Fazer Food Services' net sales totalled 50.8 M€ (597.3). The result of discontinued operations includes a 414.3 M€ gain of the sales of Fazer Food Services operations. The result of discontinued operations is presented in the income statement net of tax under "Result for the period, discontinued operations". As a result of sales of Food Services operations, there were no assets or related liabilities classified as assets held for sale at year end 2020. For the comparative period assets related to discontinued operations are reported in the balance sheet as "Assets held for sale" and liabilities as "Liabilities related to assets held for sale". The cash flow statement includes discontinued operations in 2019 and 2020.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

KEY FIGURES	2020	2019	2018
Net sales, M€	1,101.2	1,097.0	1,029.2
Operating profit, M€	51.9	49.1	55.9
- share of net sales, %	4.7	4.5	5.4
Return on equity, % (ROE)	58.8	13.4	11.6
Equity ratio, %	70.7	52.6	56.8
Gearing, %	-22.8	22.5	17.5

NET SALES BY COUNTRY



Net sales and profitability

Fazer's net sales remained at the previous year's level and totalled 1,101.2 M€ (1,097.0). The foreign exchange rate changes reduced the Group's net sales by 18.6 M€. The businesses acquired in 2020 i.e. Vuohelan Herkku increased net sales by 5.3 M€ compared to previous year.

Fazer Bakery's net sales for 2020 remained at the previous year's level and totalled 548.6 M€ (555.6 in 2019 excluding the net sales of the crisp business transferred to Fazer Confectionery). Fazer acquired Vuohelan Herkku's bakery and mill businesses in January 2020, making Fazer one of the biggest players in gluten-free bakery products in Finland. In Finland, demand for Fazer's packed bread increased strongly when the COVID-19 pandemic started. Sales of frozen products were negatively impacted as restaurants and hotels faced restrictions and closures. Demand slowly recovered towards the end of the year. The shop-in-shops sales declined steeply in the beginning of the crisis but recovered fast and reached record levels towards the end of the year.

At the end of 2020, Fazer had a total of 105 shop-in-shops in Finland. In Sweden, sales increased in all channels as a result of strong product launches in strategic segments and good development in export. Fazer Bakery strengthened its market position in Russia, with growth in bake-off bread and increased sales through new digital sales channels. In the Baltics, financial insecurity caused by the COVID-19 pandemic shifted consumer interest from premium towards mainstream products. A similar trend was also observed in Russia. In the Baltics, price competition increased as new players entered the market. Two new shop-in-shop bakeries were opened in Estonia, where Fazer currently has 5 shop-in-shops in total. Turnaround programmes to increase operational efficiency in Fazer Bakery's operations in Sweden and Russia were efficient and resulted in improved performance.

Fazer Confectionery's net sales declined by 2.3% from the previous year and totalled 400.1 M€ (409.4 in 2019 including net sales of the Fazer Retail and crisp business transferred to Fazer Confectionery). The decline was attributable to Fazer Retail, where the Fazer Café and Gateau businesses were heavily impacted by COVID-19 related restrictions, as well as to the complete standstill in Travel Retail. Confectionery sales in Finland, Sweden, Denmark, Russia and the Baltics were relatively stable. Sales especially in Finland were supported by the consumer tendency to rely on well-known

brands in uncertain times. COVID-19 changed consumer behaviour, which led to the polarisation of demand. Chocolate tablets continued to sell well and there was strong growth in candy bag sales, whereas demand in biscuit, pick & mix and products in the impulse category, such as pastilles and chewing gum, decreased. Seasons are very important for Fazer. In 2020, Easter and Halloween sales suffered from the restrictions, whereas Christmas sales exceeded expectations, especially in Finland and Sweden. The standstill of the Travel Retail sales resulted in some lost net sales and temporary layoffs at the Vantaa and Lappeenranta factories. Strong novelties and marketing campaigns generated growth in chocolate bars, candy bags, and chocolate tablets and the seasonal portfolio continued its strong performance.

Fazer Lifestyle Foods' net sales grew by 11.8% to 176.7 M€ (158.1). Growth was attributable to sales from Kaslink, acquired in August 2019. Demand for breakfast products was at a good level, whereas on-the-go categories such as smoothies and juices faced challenges. Net sales were negatively impacted by the decline in on-the-go snacking and the standstill in the hotel and restaurant sector as well as in the travel related channels.

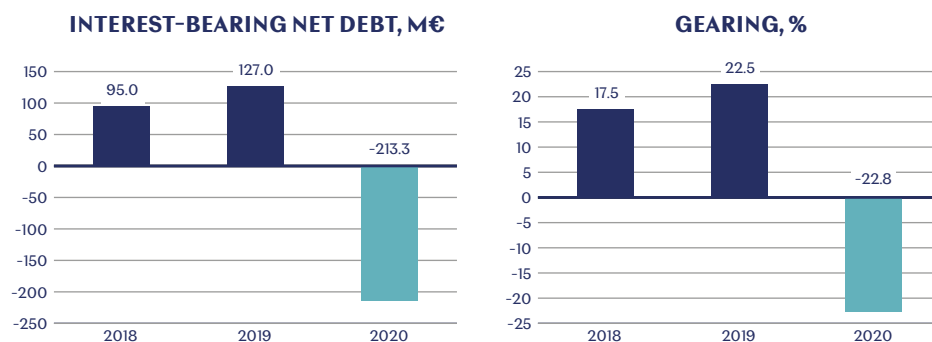
To meet the growing demand for oats and to provide top-quality ingredients for Fazer's businesses, in particular, for the non-dairy, plant-based meals and breakfast categories, Fazer started the doubling of the oat milling capacity in Lahti, Finland and Lidköping, Sweden. The investment project progressed according to plan, and additional capacity will be available during 2021.

Operating profit for the continuing operations improved and was 51.9 M€ (49.1). Operating profit included 6.2 M€ (4.0) one-time restructuring costs and write-offs (net), mainly related to manufacturing efficiency improvement measures in Fazer Confectionery and Fazer Lifestyle Foods, turnaround programmes in Fazer Bakery's operations in Sweden and Russia, the revaluation of Russian land plots and recognition of Vuohelan Herkku negative goodwill. The 2020 result was also burdened by 2.7 M€ (5.9) additional one-time costs and write-offs mainly related to the acquisition of Vuohelan Herkku, divestment of Fazer Food Services and implementation of Fazer accounting principles in acquired companies. The profit for the financial period amounted to 32.6 M€ (38.9) for the continuing operations.

Financial position and cash flow

The Group's financial position was further strengthened as a result of the divestment of the Fazer Food Services business. Reported interest-bearing net debt totalled -213.3 M€ (127.0) and gearing was -22.8% (22.5%). The Group's equity ratio was 70.7% (52.6%).

The Group's reported cash flow from operating activities was 152.4 M€ (144.8) and gross investments amounted to 104.1 M€ (107.1), excluding investments in financial assets. Majority of the large investments were done in Fazer Lifestyle Foods in the new xylitol factory, oat mill expansions in Finland and Sweden and non-dairy production equipment in Korea. Other important investments included new production equipment and upgrades to the existing machinery in Fazer Bakery and Fazer Confectionery.



Personnel

At year-end, Fazer had 8,496 employees (8,805) in the continuing operations and none (6,958) in discontinued operations. Fazer Bakery employed 5,880 (5,903), Fazer Confectionery 1,904 (2,113), Fazer Lifestyle Foods 428 (471) and shared functions of the Group 284 (318) at the end of the year.

PERSONNEL, CONTINUING OPERATIONS

	2020	2019	2018
Number of employees 31.12.	8,496	8,805	8,884
Number of employees (FTE, on average for the year)	7,316	7,532	7,646
Wages and salaries, M€	251.8	249.6	227.5

PERSONNEL BY COUNTRY

	NUMBER OF EMPLOYEES, 31.12.	
Finland	3,681	43.3%
Russia	2,376	28.0%
Sweden	1,762	20.7%
Latvia	296	3.5%
Lithuania	250	2.9%
Estonia	72	0.8%
Denmark	52	0.6%
Norway	7	0.1%
TOTAL	8,496	100.0%

Strategy and strategy implementation 2020

Fazer, celebrating its 130th anniversary in 2021, is financially strong and has a clear strategy for the future. Future growth is sought both organically and through M&A opportunities. Fazer has high growth ambitions going forward, which could also open up for a potential broadening of the shareholder base through a public listing at some point in the future.

In the coming years Fazer will continue to focus on its four strategic development areas:

- 1. leveraging the leading FMCG (Fast Moving Consumer Goods) brand to strengthen its position in Finland,***
- 2. accelerating growth through innovations, on-trend categories and foodtech***
- 3. developing leading positions in Northern Europe, and***
- 4. driving operational excellence and developing ways of working to enable industry leading profitability.***

Sustainability is an integral part of the Group strategy, and in its sustainability work Fazer focuses on lowering emissions, decreasing the amount of food waste, sustainable sourcing, and introducing more plant-based food in our offering.

In accordance with its updated vision Towards Perfect Days, Fazer continued to execute its strategy in 2020. The divestment of Fazer Food Services to Compass Group was completed on 31 January 2020 supporting Fazer's transformation towards a FMCG company.

In January, Fazer acquired Vuohelan Herkku's bakery and mill businesses. Vuohelan Herkku is one of the forerunners of gluten-free baking in Finland and has a new gluten-free bakery in Lahti. Through this acquisition, Fazer became one of the biggest players in gluten-free bakery products in Finland.

Fazer's ambition is to become one of the leading plant-based players in Northern Europe by continuously identifying new categories and growing current categories. By investing in innovations and foodtech, Fazer strengthens its focus on the sustainable food solutions of the future. Fazer's unique xylitol factory, utilising oat hull, the side stream of the oat milling process, to produce xylitol with state-of-the-art technology will be inaugurated in 2021. Fazer's strategic focus on innovations, has been recognised by the Finnish Food and Drink Industries' Federation who awarded the factory the Star Act 2020 in November 2020.

During the year, Fazer increased its shareholding in Solar Foods and became the largest single shareholder, with an approximately 15% ownership stake. Solar Foods is a Finnish foodtech start-up, which has developed a novel protein ingredient, Solein®, from CO₂. The company aims to further develop its protein ingredient for broader use in consumer

products. Fazer will continue to support Solar Foods in the form of research, innovation and commercial development, in addition to active ownership.

To meet the growing demand for oats and to provide top-quality ingredients for our businesses, Fazer will double the oat milling capacity in Lahti, Finland and Lidköping, Sweden in 2021. Oats will continue to be at the core of the Fazer Lifestyle Foods' business and an important ingredient, especially in the bakery business. The use of oats in various categories will develop. A great example of a true innovation that responds to the needs of the consumers is the Fazer Oat Rice, which was launched in all Nordic countries in 2020. The novelty innovation was awarded the Swedish Food Award Livsmedelspriset 2020. Strong focus will remain on the non-dairy, plant-based meal and breakfast categories. Systematic R&D work contributes to a wide portfolio of innovations to further build on. Selected acquisitions play a key role in the realisation of the growth plan.

In 2020, several measures were taken to drive operational excellence, synergies and value. The implementation of a new operating model was started, including changes in the commercial organisation, in marketing and in procurement, as well as reorganising the Group functions. In addition, actions to increase efficiency in manufacturing included production transfers within Fazer Confectionery and Fazer Lifestyle Foods in Finland.

The turnaround and transformation initiative in Fazer Bakery Sweden, announced on 9 February 2021, is a good example of developing new ways of working to support profitable growth. The new operating model, targeted to come into effect by summer 2021, includes a re-seller and co-distribution agreement with bakery sales company Polfärskt and reduces the number of bakeries from four to three. The new operating model will increase our Fazer's agility and service levels for customers and, at the same time, build a more sustainable and environmentally friendly way of operating the bakery business.

Research and development

Fazer continued its strong food technology R&D work with multiple projects. The Fazer Oathow project focuses on oats and future oat technologies. The Fazer Xtech project has a strong focus on foodtech including, in particular, plant proteins, side streams and sugar reduction. Fazer and Solar Foods continued their strategic R&D co-operation in the Solein2Food project that aims to commercialise Solar Foods' novel sustainable protein ingredient in the form of new food products.

Fazer also continued work in the field of nutrition. Fazer's Brainhow project moved from the research phase to the implementation phase. Fazer is conducting research in SLU Uppsala, Sweden, related to grain fibres and the gut-brain axis with a clinical intervention study. Fazer and the Nordic Rye Forum co-organised a rye symposium in the 12th Nordic Nutrition Conference.

Research and development costs amounted to 8.4 M€ (9.3) for the continuing operations.

Sustainability

Sustainability is an integral part of Fazer's strategy and leads its work through four Core goals: 50% less emissions, 50% less food waste, 100% sustainably sourced, and more plant based. More information about Fazer's sustainability work, including quality, environment, occupational health & safety and food safety, as well as the progress in 2020 can be found in Fazer's Sustainability report and non-financial information, included in the Annual Review to be published in week 15. The information will be published on the Fazer Group's website www.fazergroup.com in the Reports & Governance section.

Risk management

Fazer regularly evaluates and analyses the Group's strategic, operational and financial risks within the framework of its risk management policy and takes action to mitigate these risks. In 2020, managing and mitigating the COVID-19 pandemic-related near-term business and financial risks were a key priority. Fazer took prompt action to safeguard the health and safety of its employees as well as the company's financial stability and business continuation. Thanks to all the preventive measures that were introduced at an early stage of the pandemic, Fazer was able to continue all production operations throughout the year. Fazer continues to monitor the situation very closely. For more information on financial risk management, see Note 11.3 to the Financial Statements.

Changes in Group legal structure

Fazer continued to simplify its legal structure to reduce administrative work and to increase organisational agility. The changes in the Group legal structure are disclosed in Note 24 to the Financial Statements.

Shares and share capital

In June 2020, the parent company organised a directed share issue in which 382,276 new preference shares with a subscription price of 303,17 euro was issued. The shares, equivalent to 115.9 M€, were paid in kind with the outstanding shares of Fazer Food AB, after which the company was merged with Oy Karl Fazer Ab. The nominal value of 20 euro per share, equivalent to 7.6 M€, was recorded in share capital and the rest, equivalent to 108.2 M€, in the reserve for invested unrestricted capital.

At the end of 2020, the parent company Oy Karl Fazer Ab had 4,341,039 preference shares and 2,365,200 ordinary shares. Preference shares carry a preferential right of at least 6% of the share's nominal amount, ahead of ordinary shares, for the annual dividend from the company's distributable profit. At the Annual Shareholders' Meeting, each ordinary share is entitled to ten votes and each preference share carries one vote.

Board of Directors and auditors

At the Shareholders' Meeting on 1 April 2020, the following Board members were re-elected: Berndt Brunow (Chairman), Anders Dreijer (Vice Chairman), Klaus Cawén, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow and Juhani Mäkinen. Casper von Koskull was elected as a new member of the Board of Directors at the extraordinary shareholders' meeting on 19 October 2020.

Authorised Public Accountants PricewaterhouseCoopers were chosen as auditors, with Authorised Public Accountant Martin Grandell as auditor-in-charge.

Events after the reporting period

On 9 February 2021, Fazer Bakery Sweden announced that it had entered a re-seller agreement with the bakery sales company Polfärskt in order to enhance the service level Fazer Bakery Sweden can offer its customers. The agreement will come into effect by the summer 2021. As a result, Fazer Bakery's own field sales and distribution organisation in Sweden will be discontinued. Moreover, Fazer plans to close its bakery in Lund in the autumn of 2021. A more concentrated bakery network suits Fazer's product range better and creates better conditions for baking more efficiently

and sustainably. The plan is to move production from Lund to Fazer's bakeries in Umeå, Eskilstuna and Lidköping. Negotiations with the unions are ongoing. The changes affect all 495 employees including sales extras within field sales and distribution as well as 69 employees in the Lund bakery. Fazer supports all employees affected by the change.

After the year-end, the COVID-19 pandemic has continued to directly and indirectly influence Fazer's businesses which has led to new collaboration negotiations.

Risks and short-term business uncertainties

In 2021, the uncertainty caused by the COVID-19 pandemic remains high as new waves and virus mutations alter the situation quickly and impact the markets in different ways and at different times. The prolonged situation adds to uncertainty in economies globally and increases price sensitivity in fast moving consumer goods. Governmental restrictions and recommendations may impact all Fazer key markets and businesses. As in 2020, the key impacts to Fazer's businesses are anticipated in the sales of frozen bakery products driven by the HoReCa channel's gloominess, Travel Retail remaining in a standstill and the retail business being affected by decreased customer traffic in city centres and malls. Besides, and partially related to, the uncertainties the COVID-19 pandemic may cause, the timely completion of the new manufacturing facility and equipment investments as well as the efficient ramp-up of operations in the new xylitol factory and two new oat mills affect Fazer's operational risks in 2021.

Outlook for 2021

In 2021, Fazer's net sales and the comparable operating profit from continuing operations are expected to improve compared to the previous year, assuming the development of the COVID-19 pandemic and the general economic climate will not deteriorate. The outlook is subject to operational risks and uncertainties, as well as lower than normal visibility due to the COVID-19 pandemic.

In 2021, Fazer will continue its transformation towards an integrated FMCG company, enabled by its exit from the food service business in early 2020. Accelerating growth through innovations, on-trend categories

and foodtech as well as developing leading positions in Northern Europe remain key strategic focus areas during the year. Moreover, Fazer will continue building an even stronger position as the number one FMCG brand in Finland. Driving operational excellence and excelling in ways of working will improve our profitability. In addition to organic growth, Fazer will continue its active M&A work to boost growth and internationalisation.

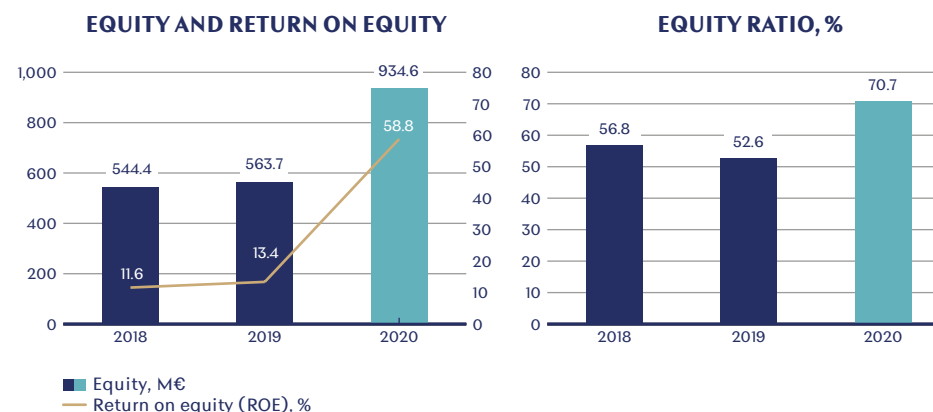
Proposal for distribution of profit

The parent company's distributable funds amount to 1,081,446,262.60 euros of which 406,791,490.38 euros represent profit for the financial year.

The Board of Directors proposes to the Shareholders' Meeting that distributable funds should be appropriated as follows:

- to pay a dividend of 14.40 euros per share	96,569,841.60 €
- to leave in profit brought forward	984,876,421.00 €
	1,081,446,262.60 €

The proposed dividend does not pose any risk to the company's financial standing.



Financial Information

Fazer's financial statements are based on International Financial Reporting Standards (IFRS).

Consolidated income statement

M€	2020	2019
Continuing operations		
Revenue	1,101.2	1,097.0
Other operating income	22.8	28.8
Change in finished goods and work in progress	0.4	1.1
Materials and services	-405.5	-406.7
Employee benefits expenses	-317.4	-316.3
Depreciation, amortization and impairment	-65.5	-62.1
Other operating expenses	-284.2	-292.9
Operating profit	51.9	49.1
Financial income and expenses		
Financial income	7.4	5.9
Financial expenses	-17.5	-3.3
Total financial income and expenses	-10.1	2.5
Profit before income tax	41.8	51.6
Income tax	-9.2	-12.7
Result for the period, continuing operations	32.6	38.9
Result for the period, discontinued operations	407.8	35.4
Result for the period	440.4	74.4
Result from continuing operations attributable to		
Owners of the parent company	31.4	36.7
Non-controlling interests	1.1	2.2
Result from discontinued operations attributable to		
Owners of the parent company	335.3	29.7
Non-controlling interests	72.5	5.8
Result attributable to		
Owners of the parent company	366.7	66.4
Non-controlling interests	73.7	8.0

Consolidated statement of comprehensive income

M€	2020	2019
Profit for the year	440.4	74.4
Other comprehensive income		
Items that may be classified to profit or loss		
Cash flow hedges	-0.2	0.2
Translation differences	-12.2	5.2
Income tax relating to these items	0.0	0.0
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	0.0	-0.2
Fair value adjustments of non-current commercial papers	1.2	-
Income tax relating to these items	0.0	0.0
Other comprehensive income, net of tax	-11.1	5.2
Total comprehensive income for the period	429.2	79.5
Of which attributable to discontinued operations	407.8	36.5
Attributable to		
Owners of the parent company	360.3	69.3
Non-controlling interests	68.9	10.3
Total comprehensive income for the period attributable to the owners of the parent company		
Continuing operations	25.0	38.7
Discontinued operations	335.3	30.6
Total	360.3	69.3
Total comprehensive income for the period attributable to non-controlling interests		
Continuing operations	-3.6	4.3
Discontinued operations	72.5	6.0
Total	68.9	10.3

Consolidated balance sheet

M€	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Goodwill	159.1	158.6
Intangible assets	46.2	49.0
Property, plant and equipment	456.3	411.9
Non-current financial assets	11.7	3.1
Non-current receivables	57.4	5.2
Deferred tax assets	0.4	0.5
Total non-current assets	731.2	628.2
Current assets		
Inventories	83.3	86.5
Trade and other receivables	134.5	139.7
Current financial assets	26.5	2.0
Income tax receivables	1.8	3.5
Cash and cash equivalents	345.6	40.6
Total current assets	591.7	272.2
Assets held for sale	-	171.9
TOTAL ASSETS	1,322.8	1,072.4

M€	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES		
Equity		
Share capital	134.1	126.5
Other reserves	1.2	0.1
Reserve for invested unrestricted equity	108.2	-
Retained earnings	625.7	367.5
Equity attributable to the owners of the parent company	869.3	494.1
Non-controlling interests	65.2	69.6
Total equity	934.6	563.7
Non-current liabilities		
Interest-bearing liabilities	31.6	33.1
Deferred tax liabilities	19.2	17.9
Pension obligations	4.1	4.2
Provisions	1.7	1.8
Other non-current liabilities	1.6	6.9
Total non-current liabilities	58.2	63.8
Current liabilities		
Interest-bearing liabilities	100.7	134.4
Trade and other payables	226.5	191.1
Provisions	0.5	0.5
Income tax liabilities	2.4	1.6
Total current liabilities	330.0	327.7
Total liabilities	388.3	391.6
Liabilities related to assets held for sale	-	117.1
TOTAL EQUITY AND LIABILITIES	1,322.8	1,072.4

Consolidated statement of cash flows

M€	2020	2019
Cash flows from operating activities		
Result for the period	440.4	74.4
Adjustments ⁽¹⁾	-321.1	82.2
Change in working capital ⁽²⁾	53.2	12.1
Interest received	1.3	1.6
Interest paid	-1.4	-1.5
Other financial income and expenses, net	-5.2	-1.5
Dividends received	-	0.3
Income taxes paid	-14.8	-22.8
Net cash from operating activities	152.4	144.8
Cash flows from investing activities		
Purchases of tangible and intangible assets	-92.8	-57.5
Business acquisitions	-6.1	-47.6
Investments in non-current financial assets	-5.3	-2.0
Investments in current financial assets	-326.5	-
Proceeds from sale of tangible and intangible assets	2.8	0.8
Proceeds from sale of current financial assets	297.2	-
Proceeds from sale of businesses	387.2	8.8
Repayment of loan receivables	-	2.8
Net cash from investing activities	256.6	-94.7
Cash flows from financing activities		
Repayment of current debt	-157.6	-34.2
Proceeds from current debt	190.5	12.2
Net cash flows from commercial papers	-66.5	61.0
Repayment of leasing debt	-14.1	-25.3
Dividends paid	-57.8	-60.2
Net cash from financing activities	-105.5	-46.5
Net increase (+) decrease (-) in cash and cash equivalents	303.6	3.6
Cash and cash equivalents at the beginning of the period	43.2	39.3
Exchange rate difference	-1.2	0.3
Cash and cash equivalents at the end of the period	345.6	43.2

M€	2020	2019
1) Adjustments		
Depreciations, amortisations and impairments	65.5	70.1
Income taxes	18.9	22.0
Share of result in associated companies	0.0	-0.4
Financial income and expenses	9.7	-2.4
Non-cash income and expenses	0.6	-2.3
Other adjustments to operating activities	-415.9	-4.7
Total adjustments	-321.1	82.2
2) Change in working capital		
Decrease (+) / increase (-) in inventories	0.9	1.4
Decrease (+) / increase (-) in trade and other receivables	15.0	-10.4
Decrease (-) / increase (+) in trade and other payables	37.4	21.2
Change in working capital	53.2	12.1

Figures in consolidated statement of cash flows include both continuing and discontinued operations.

Five-year summary

	2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Income statement					
Net sales, M€ *)	1,101.2	1,097.0	1,029.2	1,038.2	1,603.1
Net sales outside Finland, % *)	44.1 %	46.8 %	48.6 %	50.6 %	50.6 %
Operating profit, M€ *)	51.9	49.1	55.9	60.5	90.1
Operating margin, % *)	4.7 %	4.5 %	5.4 %	5.8 %	5.6 %
Profit before taxation, M€ *)	41.8	51.6	53.5	58.2	89.3
% of net sales *)	3.8 %	4.7 %	5.2 %	5.6 %	5.6 %
Result for the period, continuing operations, M€	32.6	38.9	41.6	47.4	
Result for the period, discontinued operations, M€	407.8	35.4	22.3	24.8	
Result for the financial year, M€	440.4	74.4	63.9	72.1	70.5
Attributable to owners of the parent, M€	366.7	66.4	58.5	63.4	62.0
Attributable to non-controlling interests, M€	73.7	8.0	5.3	8.8	8.5
Balance sheet					
Non-current assets, M€	731.2	628.2	627.0	650.9	604.4
Inventories, M€	83.3	86.5	91.8	90.3	82.5
Other current assets, M€	508.3	185.8	241.2	272.1	291.4
Assets held for sale, M€	-	171.9			
Equity attributable to the owners of the parent, M€	869.3	494.1	484.9	499.0	478.1
Non-controlling interest, M€	65.2	69.6	59.4	58.3	51.7
Liabilities, M€	388.3	391.6	415.6	456.0	448.6
Liabilities related to assets held for sale, M€	-	117.1			
Balance sheet total, M€	1,322.8	1,072.4	959.9	1,013.3	978.3
Key figures					
Gross investments, M€	104.1	107.1	50.5	108.0	104.6
Depreciations and impairments, M€ *)	65.5	62.1	65.0	65.4	74.3
Amortization of goodwill and impairments, M€	-	-	-	0.0	0.1
Interest-bearing net debt, M€	-213.3	127.0	95.0	79.0	57.3
Gearing, %	-22.8 %	22.5 %	17.5 %	14.2 %	10.8 %
Return on equity, % (ROE)	58.8 %	13.4 %	11.6 %	13.3 %	14.1 %
Equity ratio, %	70.7 %	52.6 %	56.8 %	55.1 %	54.2 %
Personnel (FTE) *)	7,316	7,532	7,646	7,589	13,287

*) Figures for years 2020-2017 are presenting continuing operations.

In balance sheet assets related to discontinued operations are reported for year 2019 as 'Assets held for sale' and liabilities as 'Liabilities related to assets held for sale'.

Key figures have been calculated correspondingly according to above mentioned income statement and balance sheet presentation principles.

Calculation of key figures

$$\text{Return on equity (ROE)} = \frac{\text{Result for the period}}{\text{Equity (on average)}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Equity + liabilities - advances received}} \times 100$$

$$\text{Gearing} = \frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity}} \times 100$$