

GUSTAV PAULIG.

# A Family Business

Eduard Paulig, May 10, 2019



| PAULIG FAMILY |



## *Gustav Paulig*

When Gustav Paulig (1850–1907), the son of a Lübeck gardener in 1871 boarded a steamship for Finland at the age of 21, he had a contract for a job as a clerk and correspondent for the new company Nokia.

In 1876, Gustav Paulig started an import and wholesale business for colonial products in Helsinki. The range included green coffee, spices, loaf sugar, rice, raisins, dried fruits, oil, port and cognac.

Gustav Paulig was known for his business ethics and he stated that all employees in actions and speech always stand for the name and values of the company.

*“When you start compromising on quality, you might as well shut the factory gates”*



# Bertha Paulig

## A trailblazing female leader

Konsulinna Bertha Paulig (1857-1923) was her husband's confidante also in business matters. Bertha continued Gustav's work after his death in 1907, leading the family company for a further 12 years.

This energetic mother of seven children was one of Finland's first female business leaders.

Bertha took part in the work of many charitable organisations. Together with Aurora Karamzin, she started a daycare centre in Töölö for disadvantaged families which is today known as the Bertha Maria Home.





# Eduard Paulig

## A forerunner of responsible sourcing

Eduard Paulig (1889-1953) forged business links with coffee producers, thus laying the foundations for today's purchasing system. He made his first trip to the coffee producing countries of South America in the 1920s.

In 1927 Eduard Paulig undertook a trip to the coffee-growing regions of Brazil, Argentina, Costa Rica, Nicaragua, Honduras and Guatemala. He made business connections that made a difference to the company's success for decades to come.

It takes two to build trust.





# Success is built on long-term relations



Eduard Paulig, the elder, in Guatemala in 1927



Eduard Paulig, the younger, in Costa Rica in 2018

# Paulig development over the years



## 1876

### Paulig is founded

Gustav Paulig opens a shop in the heart of Helsinki. The business idea is to offer people flavours from all over the world.

- Coffee
- Spices
- Flour
- Sugar
- Dried fruits
- Cognac

## 1910

- Coffee
- **Roasted Coffee**
- **Café Nissen**
- Spices
- Flour
- Sugar
- Dried fruits
- Cognac
- **Tea**

## 1930

- Coffee
- **Roast & Ground**
- Café Nissen
- Spices
- Dried fruits
- Tea
- **Cheese**
- **Caviar**

## 1950

- Coffee
- Café Nissen
- Tea
- Spices
- **Mustard**
- **Frozen peas and berries (1944)**
- **Frozen food**

## 1970

- Coffee
- Café Nissen
- Tea
- Spices
- Frozen peas and berries
- Frozen food
- **Ice-Cream**
- **Cheese wholesale**
- **Entering shipping**



# 1924

Paulig brought  
consumer packaging to  
Finland



## Listening to the consumers

During the early 1900s, people purchased coffee in loose weight.

In 1924, Mathias Eriksson, a merchant from Åland, sent a postcard to Paulig asking to buy roasted coffee in ready packages of 500 and 250 grams - the packaging sizes that consumers requested the most.

This inquiry led to a new era in coffee culture – coffee sold in ready consumer packaging.



## Early internationalisation: The office in Tallinn opened on Rataskaevu 20 in 1937

- In 1937 the sales office in Tallinn was opened
- Due to the second world war Paulig had to close the office only 4 years later.
- Eduard Paulig said: "We are only closing the office temporarily – we will be back".
- Paulig returned to Estonia in 1991 after waiting 50 years for the opportunity.







# Paulig development over the years

- Coffee
- Tea
- Spices
- Frozen peas and berries
- Frozen food
- Ice-Cream
- Shipping



- Stocks & sauces
- Cooperation with Santa Maria continues and deepens
- Poco Loco acquired
- Brand portfolio grows
- Internationalization continues



## New category

- Naturally Healthy Food: acquisition of Risenta and Gold&Green Foods

1980

1990

2000

2010

2015-16

- **Coffee** category incl. hot beverages
- **Spice** category
- **World Foods** category developed by Santa Maria
- Tea & Ice cream business sold
- Internationalization

- Divisions based on category
- Vendor acquired – Out-of-Home
- Robert Paulig roastery and brands
- Focus on brand portfolio
- Internationalization continues



Santa Maria  
Tex Mex was  
born out of  
curiosity

The story of **Santa Maria Tex Mex** started in Sweden in the end of the 1980s. During a family holiday, Santa Maria's then managing director met some friends who promised to "serve something exciting". This turned out to be tacos and accompaniments.

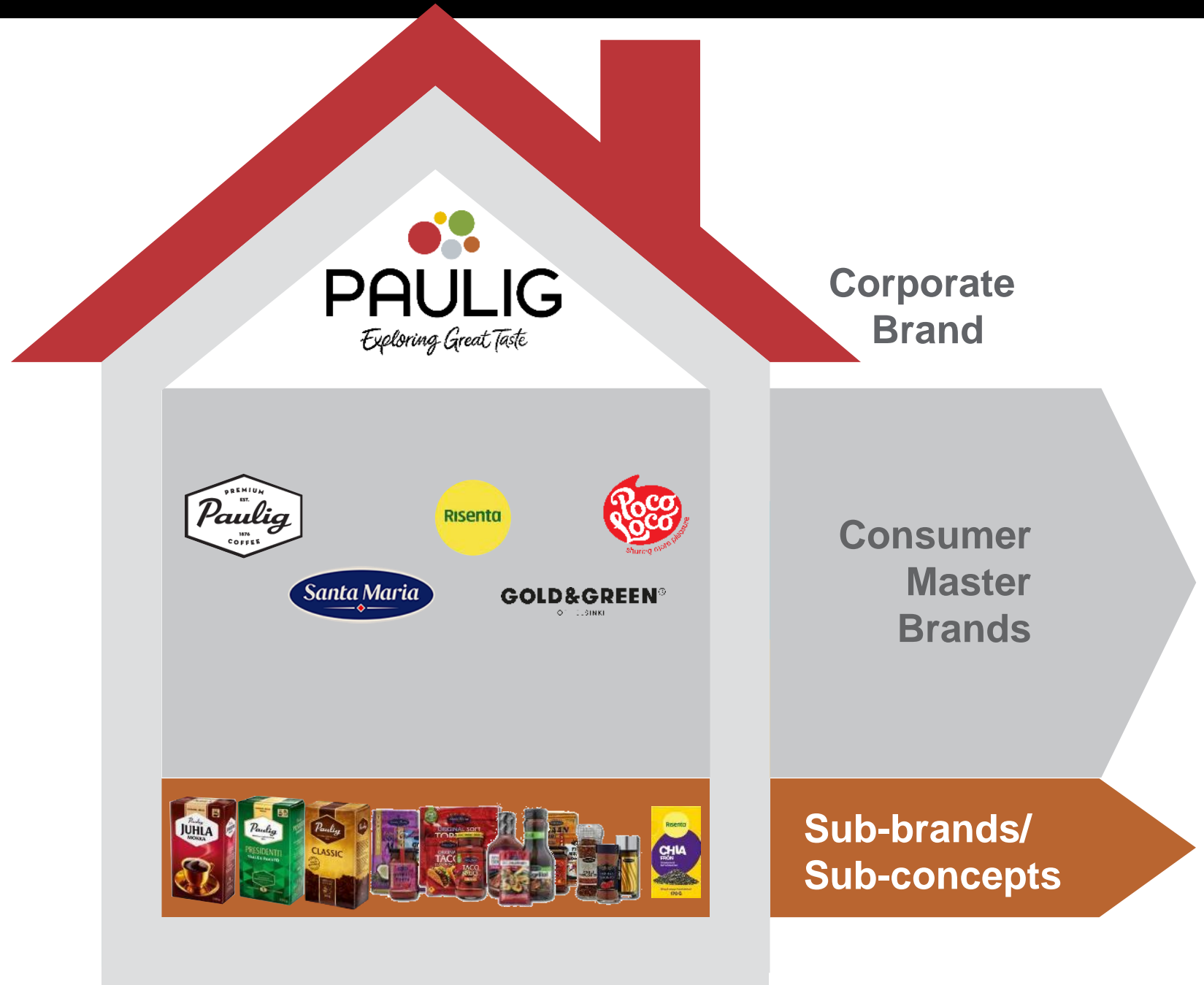
Santa Maria Tex Mex was launched one year later and the brand has become more and more international ever since.

Santa Maria Tex Mex is now well established in many European countries thanks to a large chunk of curiosity.





# Today Paulig is a House of Brands





# Paulig Group in brief

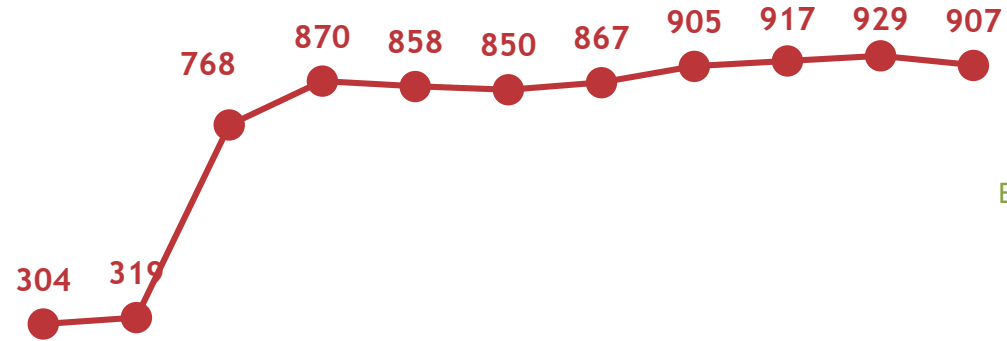
Net sales

**907**  
MILLION EUROS

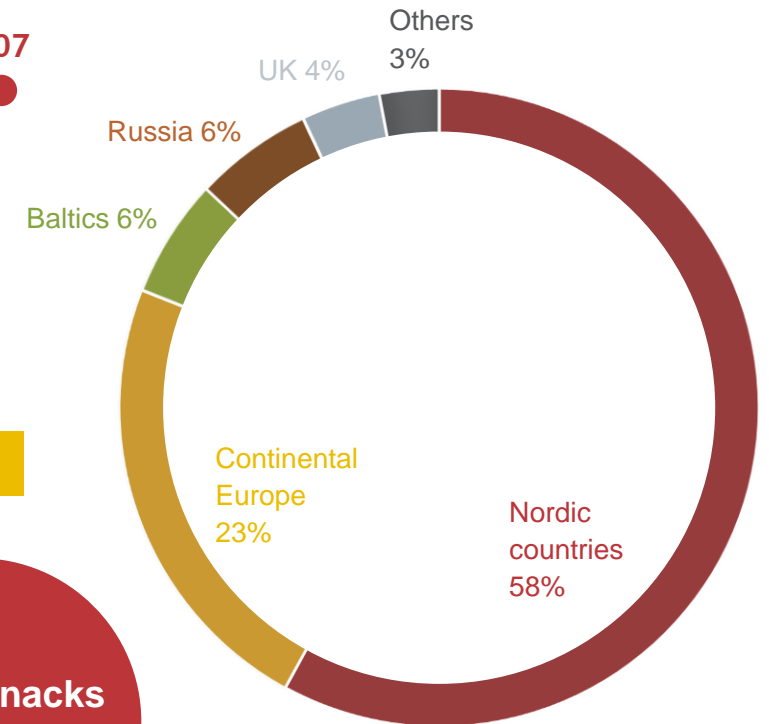
Operating profit

**5.5%**

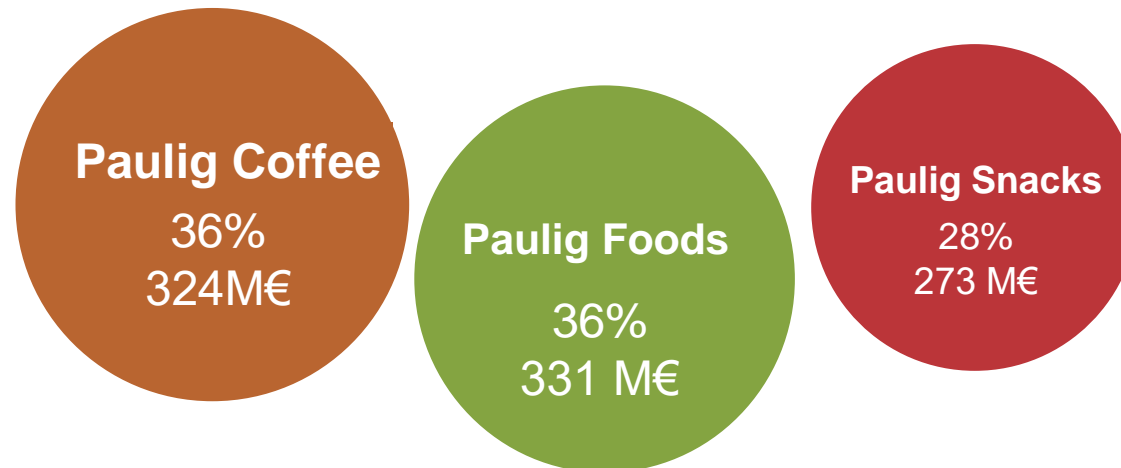
Revenue from 2008 to 2018



Net sales per market



Net sales per division





# Number of employees and geographical presence

Personnel

# 2 140

# EMPLOYEES

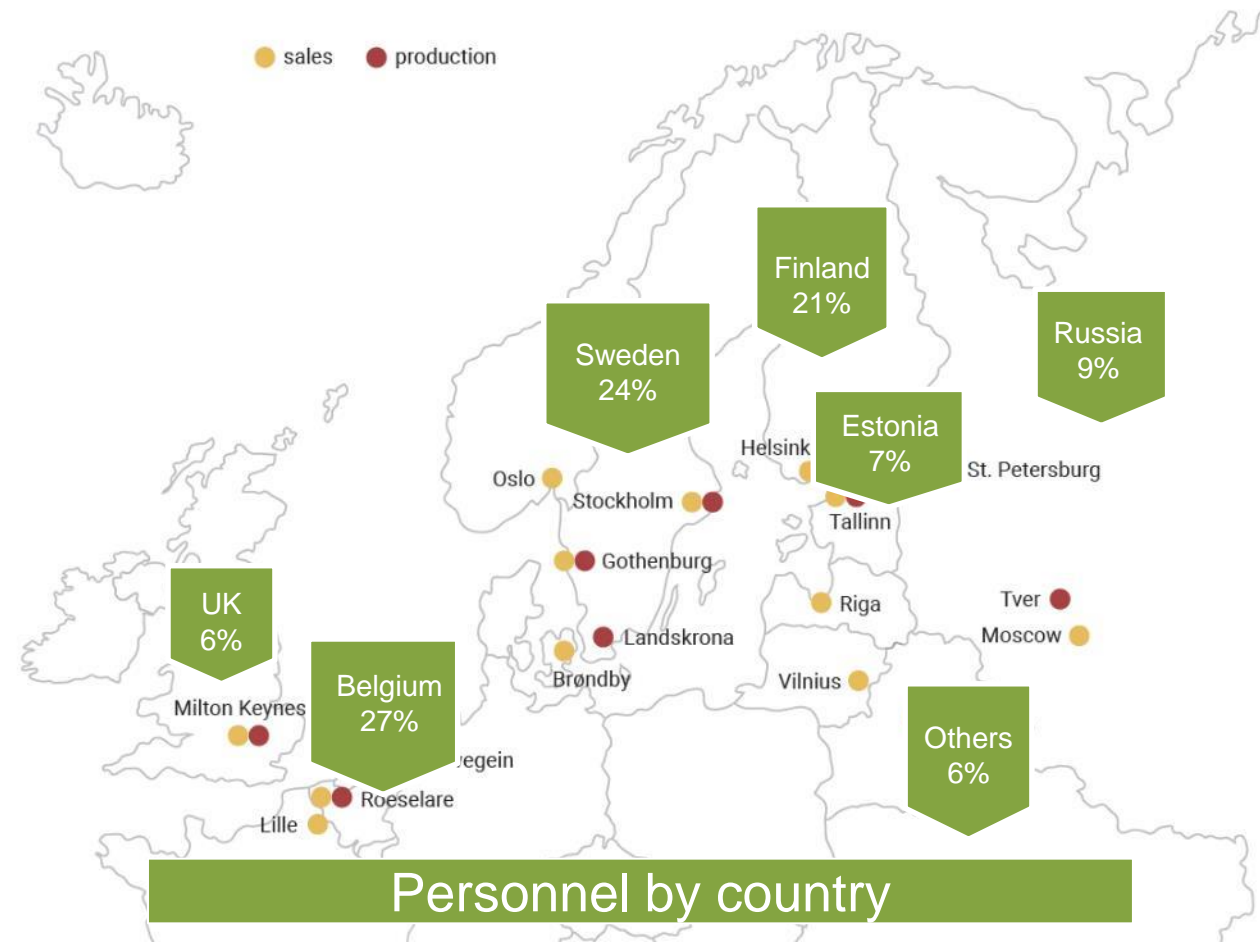


## 57%

## 43%



Operations in 13 countries



Personnel by country



# Owners, Board and Management today

## The Owners



- Around 80 owners, all related
- Long-term commitment to ownership
- “United for the company and the future”  
- The Owners’ motto

## Board of Directors



Sanna Suvanto-Harsaae  
Chairman



Eduard Paulig  
Vice-chairman  
owner



Robin Hallberg  
owner



Christian Köhler



Jukka Moisio



Harri Pulli



Jon Sundén



Jessica Jungell-  
Michelsson  
Observer, owner



Sarah Tähkälä  
secretary

## Paulig Group Management Team



Rolf Ladau  
Chief Executive  
Officer



Tina Andersson  
Senior Vice President  
Strategy & Growth



Peter Denolf  
Senior Vice President and MD  
Paulig Snacks



Lenita Ingelin  
Senior Vice President and MD  
Paulig Coffee



Henrik Samuelson  
Senior Vice President and MD  
Paulig Foods



Anu Pires  
Senior Vice President  
Human Resources



Sarah Tähkälä  
Vice President, Legal



Juha Väre  
Senior Vice President and CFO



Our tortillas are produced in Sweden, Belgium and the UK.

Tortillas are the largest product category at Paulig  
**98 000 tons/year**





**1/2**

of the coffee  
consumed in Finland is  
**Juhla Mokka**



Paulig's Chief Taster Marja Touri tastes 200–300 cups of coffee during a workday.

The tasting technique is called coffee cupping or cup tasting.

Cupping: take a spoonful of coffee from a cup, pour it into another spoon, and slurp it into the mouth and then spit it out.

In cupping, coffees are scored for aspects such as cleanness, sweetness, acidity, mouthfeel and aftertaste.

Nuances of coffee can be for example nutty, chocolatey, fruity or berried.





# Pauligs approach to sustainability

We improve working conditions and human rights aspects in our supply chain and our own operations.

We reduce the environmental impacts along our value chain.

Our offering supports the sustainable lifestyles of our consumers.



Fostering social responsibility



Caring for the environment



Supporting consumers' health and wellbeing

This is how we think

**100% of Paulig's coffee beans come from sources that have been verified sustainable**



**Jokainen kahvipapumme on vastuulliseksi varmennetuista lähteistä.**

Paahdamme vuodessa 370 miljardia vastuullista kahvipapua. Jos ne asettais jonoon, päästäisiin maapallon ympäri 68 kertaa.



Yhtenä ensimmäisistä suurista paahtimoista maailmassa, käytämme vain vastuulliseksi varmennettua kahvia. Vaikka saavutimme suuren tavoitteemme, vastuullisuustyömme jatkuu. Lue miten teemme sen [paulig.fi](http://paulig.fi)

**100%**  
KAHVISTA  
VASTUULLISEKSI  
VARMENNETTU

Onnellinen papu



parempi maku



# Efficient usage of resources in Paulig's own operations

- In order to minimise climate impacts, we focus our actions on enhancing energy efficiency and increasing the usage of renewable energy.
- All our sites in Finland, Sweden, Estonia and Great Britain are using 100% renewable electricity
- 99% of waste is recycled or put to incineration.
- Almost 70% of all waste is bio-waste, most of which is recycled as animal feed or used for bio-energy production.



99%

of waste is  
recycled or put  
to incineration



# Health and wellbeing in focus

- We want to provide the healthiest options without compromising on taste.
  - Reducing the amount of salt and sugar in the recipes
  - All Risenta and Gold&Green products are vegetarian or vegan
  - The share of organic products have increased significantly in the Risenta and Santa Maria assortments



**23%**  
vegetarian  
recipes on the  
Santa Maria  
web



# JETTR

THE ENGLISH TEAROOM

# The English Tearoom

- In 1934 Paulig opened its flagship café "The English Tearoom" as part of Paulig's Nissen café chain.
- For decades it was one of the most elegant meeting places in the heart of Helsinki.
- Since 2011 ETR is an independent investment company, owned by the Paulig family.
- ETR today has around 80 owners.





# ETR's vision and values today

ATTRACTIVE TOTAL SHAREHOLDER RETURN

STRONG FINANCIAL POSITION  
AND OPTIMAL CAPITAL STRUCTURE

AN ACTIVE AND RESPONSIBLE  
OWNER

A SUSTAINABLE SOCIETY



## Investments

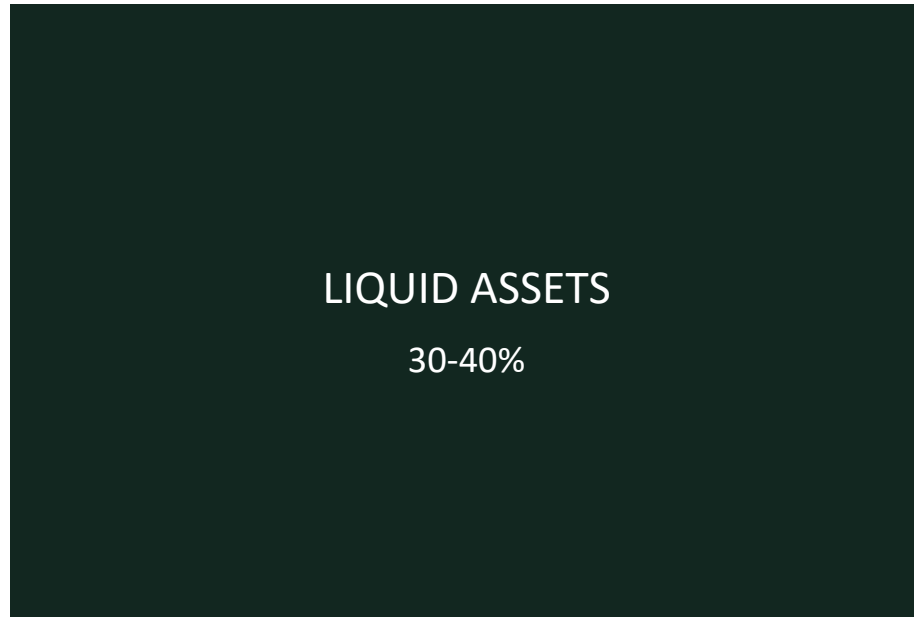
ETR's balance sheet is approximately 170 MEUR and we invest in almost all asset classes.

We prefer consistently strong value creation measured by total shareholder return ("TSR"), which includes both dividends and capital appreciation.





# Strategic allocation





# The Board of Directors of The English Tearoom



EDUARD PAULIG  
Chairman (owner)



BERNDT SCHALIN  
Vice chairman



GUSTAV ADLERCREUTZ



MATHIAS BERGMAN  
(owner)



JESSICA JUNGELL-MICHELSSON  
(owner)



PATRIK PEHRSSON  
(family)



TIMO TIRKKONEN



The  
**Paulig Family**  
today



# The Paulig Family today

- Owners of the company founded by Gustav Paulig in 1876
- Today there are more than 80 owners, of which about 50 are over 18 years
- Ranging from generation 4 - 6
- The key question for the family:  
***How to ensure the next 143 years of the company?***



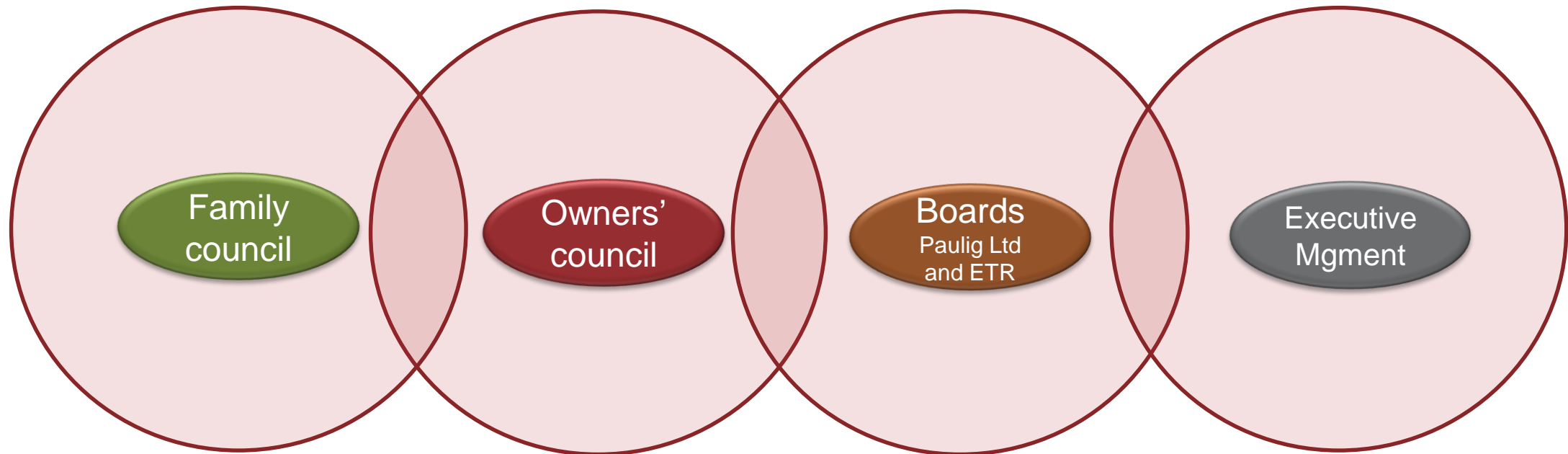


# The governance structure of the Paulig family





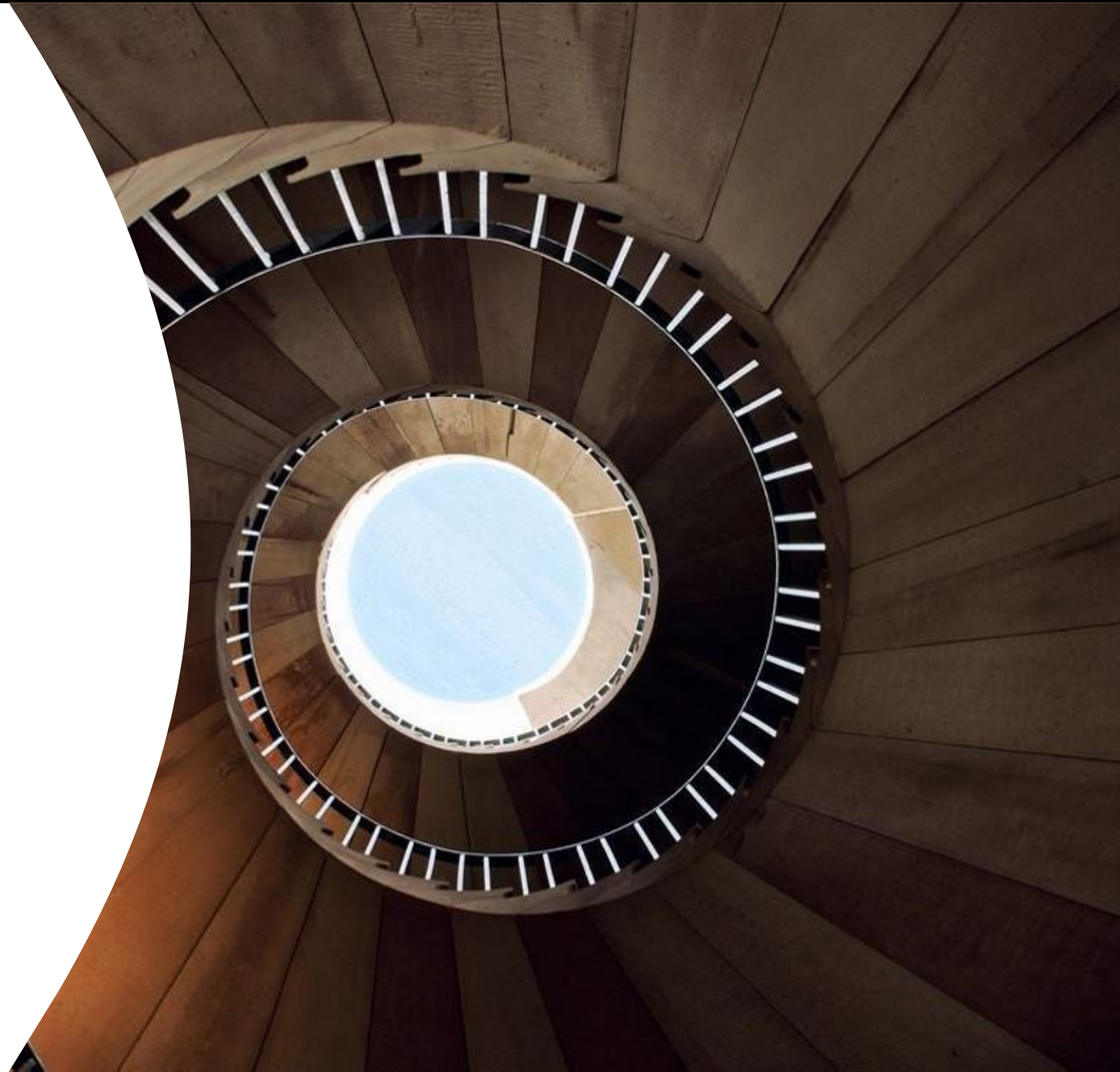
# The co-operation model between the Family and the Companies



# The Co-operation is defined in the Role Document

The Role Document consists of:

- Guiding principles
- The company / The board
- The Owners / The Owners' Council





# The guiding principles

- Guiding principles
  - The Continuity Principle
  - The Family business principle
  - The Dialogue Principle
- The company / The board
- The owners / The Owners' Council







# The Company and the Board

- Guiding principles
- The company / The board
  - Information policy
  - Dividend policy
- The owners / The Owners' Council



# The owners / The Owners' Council

- Guiding principles
- The company / The board
- The owners / The Owners' Council
  - The role and the tasks
  - Business monitoring
  - Nomination process
  - Succession plan
  - Crisis management plan





# The Owners' Will

“

We the owners, want **the company to develop in a controlled manner and according to sustainable principles** in order to secure prosperity for future generations of owners. At the same time, we are aware of the role of our company as part of society, both from a national and international perspective.

We want the business of the **Paulig Group to respect natural resources, the environment and human rights.**

We want the group to **be highly respected and attractive as an employer.**

”

*Owners Council*

## Paulig family values and intentions

*“United for the company and the future”*



## The key question: How to ensure the next 143 years?

- By fostering a clear governance structure
- By ensuring an efficient communication
- By ensuring that the boards in their work pay regard to *The Owners' Will* and the Owners pay attention to and respect the roles of the boards
- By strengthening the emotional bond between the owners and the company
- By focusing on keeping the family together



Thank you!



| PAULIG FAMILY |



| PAULIG FAMILY |



# Corporate Governance

OWNERS

ANNUAL GENERAL MEETING

BOARD

MANAGING DIRECTOR

“The owners take care of their heritage”

- Clear corporate governance
- Industrial and financial expertise
- Networking
- "Maps in order"
- Documentation

# Investment Committee



EDUARD PAULIG  
CHAIRMAN



BERNDT SCHALIN



TIMO TIRKKONEN



PATRIK HERTSBERG  
MD

- The Investment Committee meets regularly to evaluate different investment options.
- We are using our allocation model for different asset classes.
- Our long investment horizon, our yield requirement and thorough risk mapping are the basis for decision-making.
- The Board of Directors decides on each investment.
- We do not necessarily need to be the majority owner and we will be happy to be a co-investor.
- Geographically, we focus on Northern Europe.
- Our minimum investment is around MEUR 1.5.