

OUR SUSTAINABILITY REPORT 2015/2016.





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COMMENT FROM THE CEO AND CHAIRMAN



AB ANDERS LÖFBERG



WHERE ARE WE TODAY?

IT'S EASY TO THINK THAT IT'S JUST ABOUT COFFEE. BUT COFFEE IS A PRODUCT THAT TOUCHES EVERYONE IN SOME WAY. IT'S NOT JUST A DRINK, IT'S A CULTURAL TOUCHSTONE.

Our owner and Chairman of the Board Kathrine Löfberg and our CEO Lars Appelqvist consider the past year, the successes and setbacks encountered, and what has made AB Anders Löfberg the company it is today.

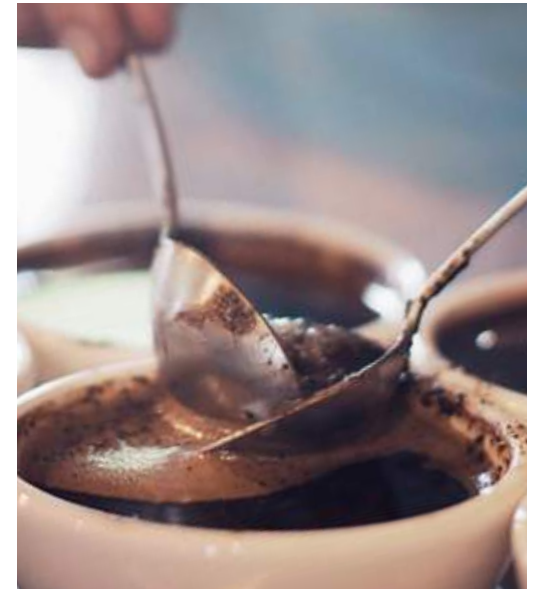
What are you the most proud of, both in the last year and in historic terms?

–Lars: From my perspective, I'm proud of our growth and expansion, and how we've grown organically. I'm also proud that we've been able to maintain the local spirit of entrepreneurship in every market.

–Kathrine: I agree completely. Think that we've evolved from a Swedish company that essentially sold only to the Swedish market at the beginning of the 1990s into an international company that sells coffee in more than ten markets. Of course Sweden is still our largest market, but we're a completely different company today. And everything indicates that we will continue to expand internationally.

–Lars: I think we should also be proud of our sustainability efforts. Still, we need to get even better at reaching out to let consumers know about our ambitious efforts.

–Kathrine: Yes, the construction of our efficient new high-bay storage here in Karlstad was a big event this past year. It's the largest investment in our history. The building is environmentally certified to the silver standard, which applies not only to the choice of



WE SELL COFFEE
IN MORE THAN TEN
MARKETS, WITH SWEDEN
STILL BEING OUR
LARGEST MARKET.

WHERE ARE WE TODAY?

materials and energy use, but to the working environment as well.

I'm also proud of the pace of innovation at the company. There's an unbelievable amount of activity right now, ranging from new products to customers to brand development.

What are you least proud of?

– **Lars:** I feel that we did not succeed in the areas of equality and diversity. Our executive team is essentially 50/50, but it didn't become that way until this year. If we look at the rest of the organisation, we don't have enough women or people with foreign backgrounds. This is dangerous, since we don't represent the people who buy our coffee.

– **Kathrine:** We need a mix of people, in terms of gender, background and age. As a whole, our gender balance is 50/50, but it differs in the various departments and at the managerial level. This is another area where it's important to set clear targets and get everyone to work towards them. It's easy to say that we want to improve things, but just like everything else, making it happen will take work.

Congratulations on an excellent result for the year! Why do you think it went so well this year?

– **Kathrine:** We've had ambitious objectives, and we've been working to increase prof-

its for a long time. We've made several changes, to both the organisation and our range. A lot of the work we did was not seen until now. This is a major reason for our excellent results this year.

– **Lars:** If we remove the one-time effect of the property transaction, before goodwill, we end up with a profit of SEK 76.9 million, versus SEK 21.7 million last year.

As Kathrine said, many of our investments are just beginning to produce returns. But strong coffee sales combined with an adjustment to our margins and a beneficial commodities market have contributed to our excellent results.

What sort of return do you require for your investments?

– **Kathrine:** That depends entirely on the investment. Perseverance is important in sustainable investments.

The key is to find a balance between economic, environmental and social sustainability. And we actually say 'yes' to a lot of things, as long as we can add it to the bottom line later on. Otherwise there's no justification. We're running a business that needs to show a profit every year, otherwise we won't survive, and in that case we won't be able to do anything for either people or the environment. Unfortunately, we still use fossil fuels in the roasting process. Investing in the

WE'VE HAD AMBITIOUS OBJECTIVES, AND WE'VE BEEN WORKING TO INCREASE PROFITS FOR A LONG TIME.



available biofuel alternatives would have meant taking too much financial risk, but we're still working to find a solution.

What are you doing to encourage innovation?

– **Kathrine:** Basically it's about values. We encourage all of our employees to suggest ideas. You can't just have a few people in upper management who are responsible for innovation – it's better when it comes from the bottom up. The people farthest out in the organisation are the ones meeting customers.

And the market is changing right now. Suddenly there is a strong demand for products such as Ready to Drink. Since we've been listening attentively to our customers, we've been able to launch several new products recently.

Certifications are an important part of your sustainability work. What contribution do you think they make?

– **Kathrine:** Certifications are an extremely important part of the solution in order to ensure access to coffee for the future without having a negative impact on people and the environment. They are one of the most important tools in our sustainability efforts. Certifications give the farmers more knowledge and better prospects for growing coffee sustainably.

But we're not satisfied with certifications

WHERE ARE WE TODAY?

alone. We also have our own Code of Conduct and a thorough system for evaluating our suppliers so that they meet our requirements for sustainable farming. It's important to point this out. And furthermore, certification doesn't tell you anything about the quality of the coffee. When we purchase our coffee, it must live up to our quality requirements first of all, and then we make sure it's certified. The flavour always comes first.

Do you purchase coffee from International Coffee Partners' (ICP) projects?

– **Kathrine:** In ICP, we usually concentrate on farmers who are having an extremely difficult time, and who do not live up to our coffee quality demands at the outset of the projects. They need to improve their productivity and quality in the long term, and reach a stage where they're eventually ready to become certified, and then we may purchase from them. But yes, we've already purchased from farmers in Guatemala at some point.

The farmers are organised into cooperatives as part of the projects. The objective is for them to get better at selling their coffee. It's important for us not to lock in the farmers; they should be able to sell to whoever pays the best price. But again, if there is an opportunity and the conditions are right, we will definitely make a purchase.

What do you regard as best about working at AB Anders Löfberg?

– **Lars:** Above all it's the variety – this is an extremely broad-based business. It's easy to believe that it's just about coffee. That can't be so hard. That's what I thought, anyway.

– **Kathrine:** I like being able to be involved and affect the situation of so many people. Both the people who work at the organisation here in Karlstad and in other markets, as well as the 40,000 farmers in the coffee-producing countries with whom we have relationships.

Coffee is a product that touches nearly everyone in some way, and consumers have a real sense of involvement. Coffee is not just a drink, it's a cultural touchstone.

CERTIFICATIONS ARE
IMPORTANT TO ENSURE
ACCESS TO COFFEE IN
THE FUTURE.



THE YEAR IN REVIEW

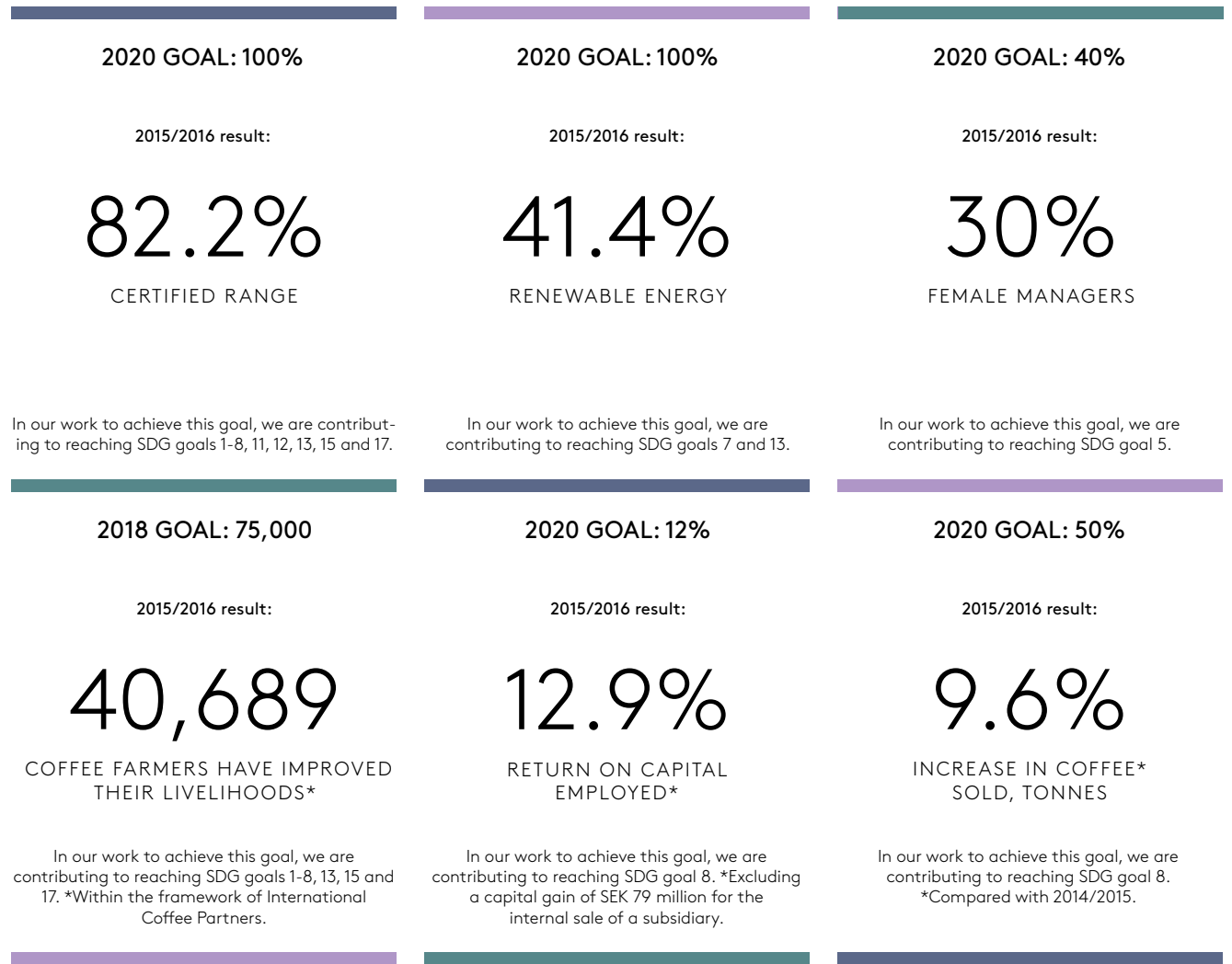
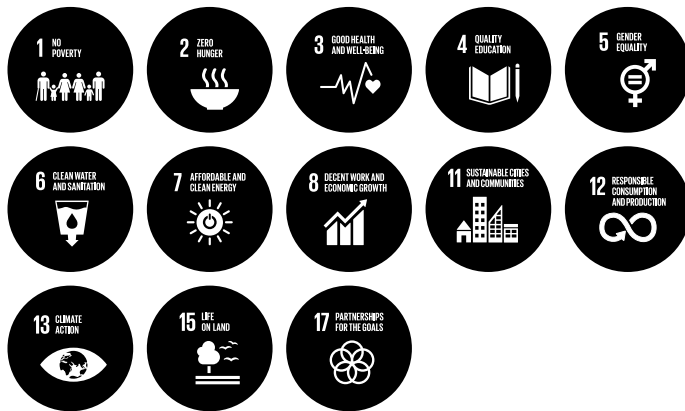
WILL WE REACH OUR GOALS?

We've put our most important key performance indicators together here in order to provide readers with an overview of the company's performance.

Sustainability issues are high on the agenda at AB Anders Löffberg, thanks to our history and our corporate culture. Our vision is "Passion, responsibility and taste. Beyond expectations". But in the end, it's our goals and whether we achieve them that determine whether we'll remain a sustainable company. As you can read on the right, the past year has been successful and we are very pleased with our performance.

The UN global goals

In order to achieve the UN's global sustainable development goals (SDGs), all parts of society must act to bring them about. We show how we contribute to the global goals next to each key performance indicator.



ABOUT US



AB ANDERS LÖFBERG IN BRIEF

THE COMPANY WAS FOUNDED IN 1906, AND WE STARTED ROASTING OUR OWN COFFEE IN KARLSTAD IN 1911. TODAY, WE ARE ONE OF THE LARGEST FAMILY-OWNED COFFEE ROASTERS IN THE NORDIC COUNTRIES.



AB Anders Löfberg is a values-driven family business. In this chapter, you can read about us as a company, especially how we approach sustainability within the company. The chapter includes all of the important information about our facilities and offices, how the company is performing and how we influence our customers for a more sustainable business.

Owners: The Löfberg family, now in its third and fourth generation.

Head office: Karlstad, Sweden

Turnover, MSEK: 1,793 (2014/15: 1,709)

Operating profit, MSEK: 155.9 (2014/15: 21.7)

Number of employees: 339 (2014/15: 326)

Volume of coffee, tonnes: 27,313 (2014/15: 26,592)

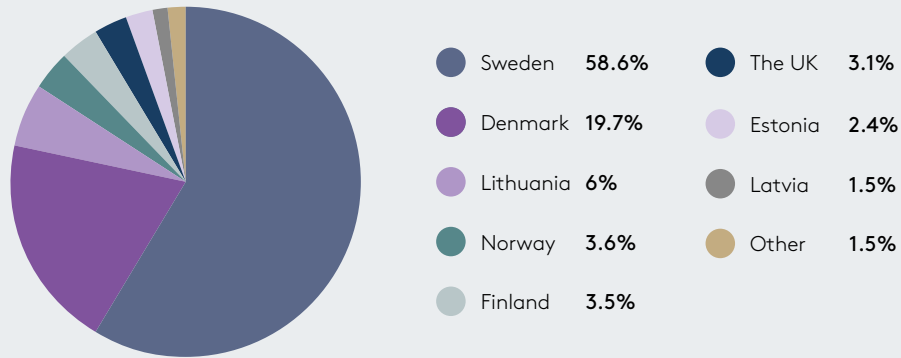
Volume of tea, tonnes: 156 (2014/15: 160)

Brands: Löfbergs, Peter Larsen Kaffe, Melna, Crema, Percol, Green Cup and KOBBS.

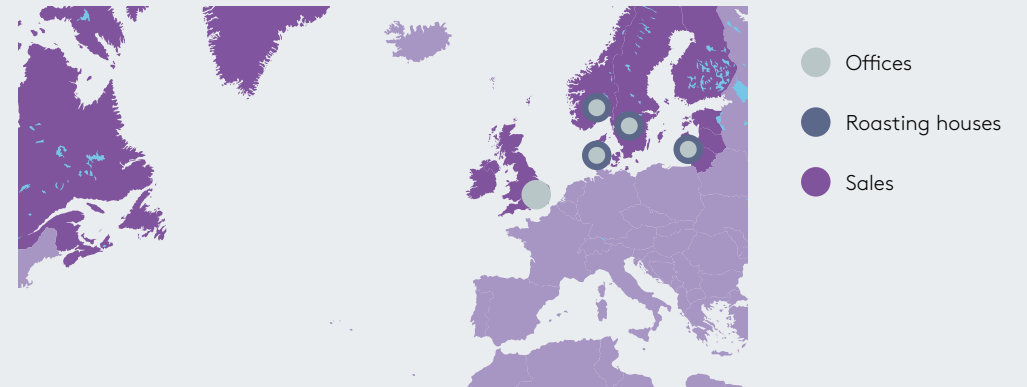
Markets: Sweden, Norway, Denmark, Finland, Estonia, Latvia, Lithuania, the UK, Canada and Ireland.

AB ANDERS LÖFBERG IN BRIEF

OUR SALES IN DIFFERENT MARKETS



LOCATIONS



History

The coffee company AB Anders Löfberg was founded in 1906 by the brothers Anders, John and Josef Löfberg. We started roasting our own coffee in Karlstad in 1911. Today, we are one of the largest family-owned coffee rosters in the Nordic countries, and we produce coffee in quantities equivalent to about 10 million cups every day. The company is still fully owned by the Löfberg family, now in its third and fourth generation, and a passion for good coffee has been part of the company since its inception.

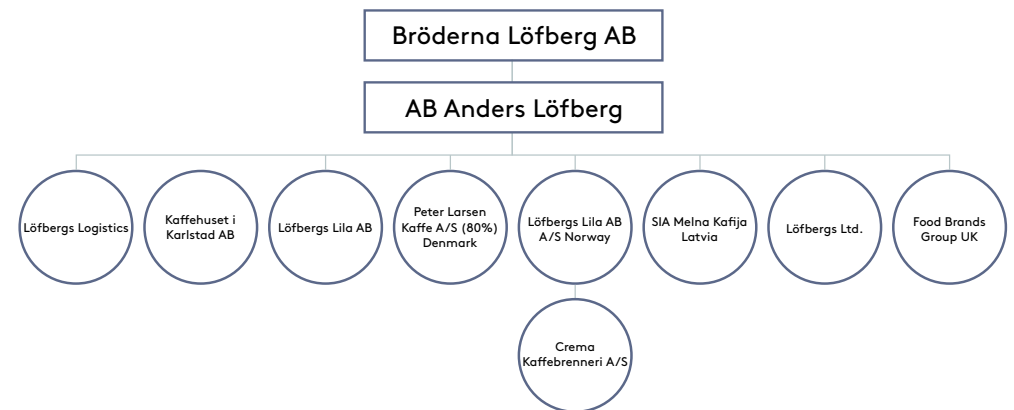
However, our commitment to sustainability and justice have been with us since

the beginning as well. We are a values-driven family business, with a long-term sustainability perspective on our business. Our long tradition combined with the desire to continually evolve and remain at the cutting edge is our strength in a fiercely competitive market.

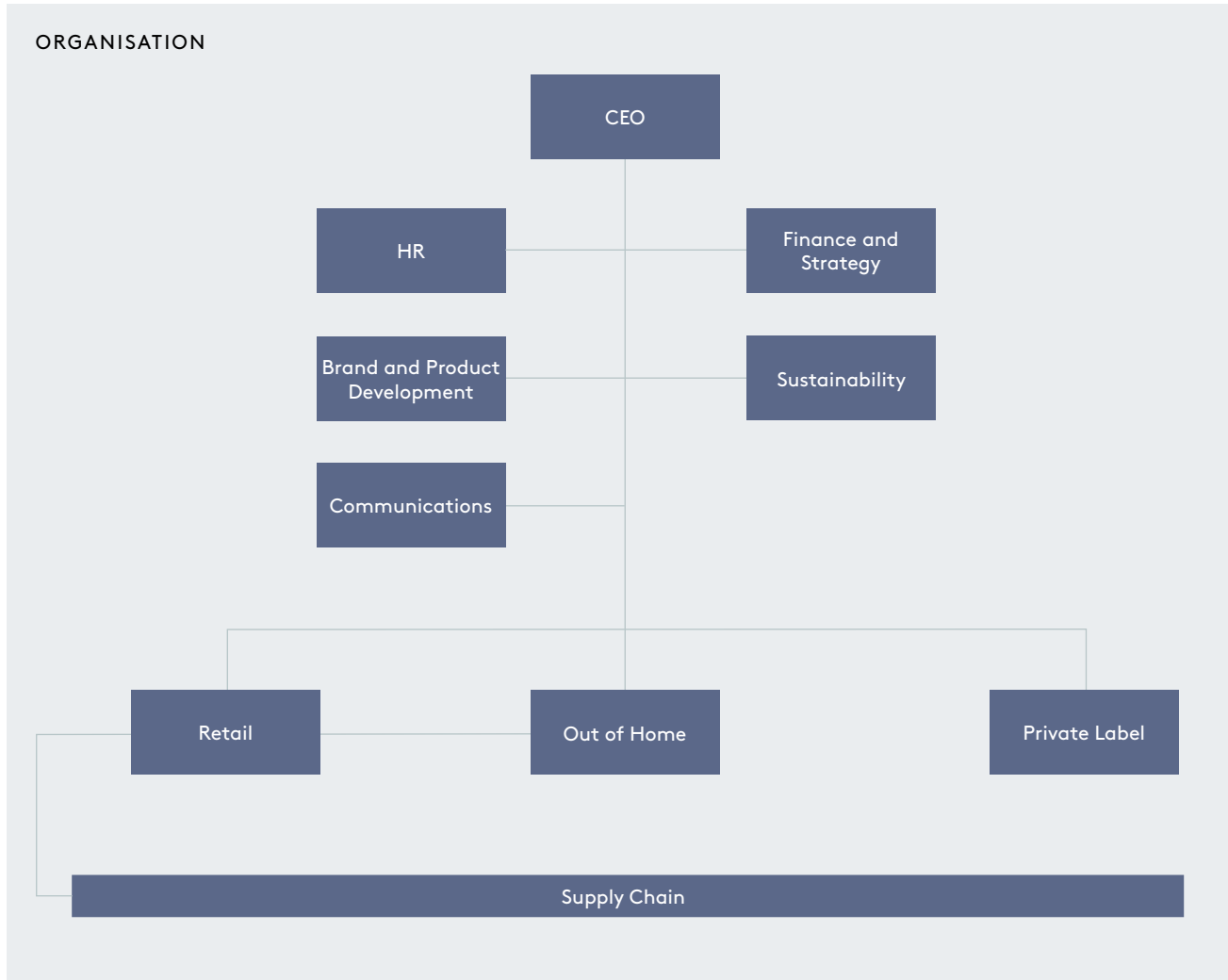
Organisation

Our Parent Company AB Anders Löfberg bears overall responsibility for the Group's performance, strategy, purchasing and financial management. We are organized into distinct business areas, each with a leader who has been delegated responsibility for profits.

AB ANDERS LÖFBERG GROUP LEGAL STRUCTURE



AB ANDERS LÖFBERG IN BRIEF



Board of Directors and Group management

The Board Of Directors consists of seven ordinary members, of whom three are owners and four are external members, as well as two employee representatives and two deputies. Kathrine Löfberg is the Chairman of the Board. The operational coffee and tea business is managed by Group management, which consists of ten people, four women and six men. Our CEO is Lars Appelqvist. The senior managers of the business are members of Group management. These include the CEO, HR, Communication, Supply Chain, Sustainability, Brand and Product Development, Finance and Strategy and the people in charge of each business area.

Brands

Our coffee is sold in some ten countries primarily in Northern Europe under the brands Löfbergs, Peter Larsen Kaffe, Melna, Green Cup, Crema and Percol. In Sweden, we also sell tea under the KOBBS brand. We also sell coffee in other parts of the world under our customers' brands, such as IKEA and McDonald's.

BRANDS WITHIN THE GROUP



WHAT DRIVES US?



Our values are our compass, our vision helps us aim high and our strategies make us goal-oriented.

Vision

Our vision is "Passion, responsibility and taste. Beyond expectations". Our vision has a tangible presence in everything we do.

Strategy

We have a strategic plan that is updated every year. It is a so-called balanced scorecard, encompassing our most important target areas and perspectives. The following areas are linked to goals, initiatives and key performance ratios: finance, customers and markets, internal processes, responsibility and employees.

PASSION,
RESPONSIBILITY
AND TASTE. BEYOND
EXPECTATIONS.

OUR VALUES

- Responsibility _____ We make decisions that are sustainable – economically, socially and environmentally.
- Commitment _____ We strive to improve and we challenge long-held beliefs, so that we are in a constant process of change.
- Entrepreneurship _____ We are at the cutting edge, and we develop new products and services rapidly.
- Long-term approach _____ We build long-term relationships, which requires us to be honest and transparent and to always keep our promises.
- Professionalism _____ We always act professionally, with a high moral standard and a healthy sense of perspective, and we endeavour to do our best.

Values

Our values serve as our compass for how we act towards each other and the world around us. They give us guidelines for our behaviour and day-to-day decisions, so that we achieve our goals and produce results. Our values are what distinguish us from our competitors, and they unite everyone who works at AB Anders Löfberg.

Our values are described in a book, Our Goodwill, that every employee receives in their native language.



HOW DO WE MANAGE AND LEAD OUR SUSTAINABILITY WORK?

We must have clear management systems if we are to achieve our ambitious goals. This is why the important parts of our business are ISO certified.

Sustainability work

Our sustainability work is part of the strategy for the entire company, and it is managed by Group management through goals in our balanced scorecard. The Director of Sustainability is part of Group management. She has several internal forums at her disposal, such as the cross-functional sustainability group, where various sustainability issues are considered and decided. Other forums are the environmental group and the packaging forum as well as the more temporary "Project 100% certified" and "100% renewable energy" forums.

Our Quality and Food Safety Policy governs our systematic food safety efforts, and our facilities in Karlstad, Viborg and Riga are ISO 22000 certified. The exception is the Crema micro roasting house in Norway, which represents an extremely small share of our production (less than 0.1%). In addition, the facility in Karlstad, which is responsible for 92% of production, holds the quality and environmental

certifications ISO 9001, ISO 14001 and FSSC 22000. The demand for an ISO-certified food safety management system comes from both our customers and ourselves. It is our own choice to have our other management systems certified, but it gives us advantages and strengthens our competitiveness. Our Group-wide Code of Conduct, which comprises a Sustainability Policy and a Business Ethics Policy, is the top-level governing document for our sustainability efforts.

Networks

We are involved in various networks, primarily to obtain knowledge and contribute our experience to other players' sustainability efforts in various ways. The Haga Initiative climate network, the Swedish International Development Cooperation Agency (SIDA) network Swedish Leadership for Sustainable Development, SP Mat och Miljö, CSR Sweden and the WWF Sustainable Food Chain are several Swedish examples of settings where we keep up to date on what is happening in the rest of the world, thereby achieving relevant changes in our own operation. In Denmark, we are involved in Dansk Institut for Etisk Handel, Danida and Økologisk Landsforening, while in Latvia we are members of InCSR (Institute of Corporate Sustainability and Responsibility).

Responsibility from bean to cup

Taking responsibility was an important part of Löffberg's set of values as early as 1906, when the company was founded. Our founder Anders Löffberg took a great deal of social responsibility, and he was the chairman of the Swedish Mission Covenant for many years.

Today, our work in the sustainability area is guided by other principles. The OECD guidelines and the UN Global Compact are some of the most important frameworks for sustainable business that we use. The Stockholm Resilience Centre's planetary boundaries have served as the foundation for our targets of 100% renewable energy and 100% certified coffee, since it proved to be the case that biodiversity, climate change and the nitrogen cycle are areas that have already passed a critical threshold for sustainable development.

2015 was an important year, since the UN adopted the 17 global sustainable development goals and agreed that the average temperature on earth should not be allowed to rise by more than 2°C, with a target of 1.5°C. We also incorporate these important goals in our work, and we allow them to guide all of our decisions whether they concern our work in coffee-producing countries, product development, business development or daily operations.

This is the foundation of our sustainability work. It means that we are taking responsibility for people and the environment along the entire value chain – from bean to cup.



HOW ARE WE PERFORMING?

Our performance was positive in the past year. We gained market share in existing markets and entered new markets.

Markets

Sweden is clearly our largest market, accounting for 59% of sales. Denmark is next with nearly 20%, and our share in the other countries grows every year. In 2016, we entered new markets together with our customers. Canada and Ireland are two examples. We also expanded our export business, and we are seeing greater interest in our innovation products. Our plant-based coffee capsules and Ready to Drink ICE products are especially in demand.

Sales

Over half of our total sales take place via Retail, and a third via Out of Home (cafés and restaurants). The rest consists of various corporate customers that sell or serve the coffee we produce under their own brands, i.e. Private Label.

Retail

Retail is our largest business area. The markets where we operate are dominated by several large retail customers. In Sweden, the business is tightly controlled and we negotiate five times a year with our



SWEDEN IS
CLEARLY OUR LARGEST
MARKET, WITH 59%
OF SALES.

customers on prices, the number of items on the shelf, campaigns and the size of our presence in our customers' channels. In Sweden, we work with all of the players in retail and we are one of the four major coffee brands. Our subsidiary Peter Larsen Kaffe has a presence in most of the chains in Denmark. We are starting to become a well-known brand in Estonia. We are still small and relatively unknown in Latvia and Lithuania, while at the same time our market share is continually growing. Our market share in Finland is marginal, but we are growing rapidly and we are perceived by customers as "high-quality dark-roast coffee". We are still a relatively small player in the UK, but we are continually increasing our presence in the range of the retail chains.

Out of Home (OoH)

Our OoH business encompasses all of the coffee that people drink outside the home, in other words cafés, restaurants, hotels, large chain customers and public-sector players in all of the markets where we operate. We work with everyone from the local corner café to major international customers such as Sodexo, Nordic Choice and Circle K, to outstanding restaurants such as Operakällaren in Stockholm and high-end offices in London. We also have a large public-sector business where we sell coffee to both small preschools and

large regions and municipalities. Part of the business includes services, where we educate our customers on the subject of coffee and how to create a profitable coffee business, for example. Today we are the only player in Sweden able to offer training in coffee sensory skills according to the SCAE, the Speciality Coffee Association of Europe.

We believe strongly in the OoH market for the future, since the served cup of coffee is growing rapidly, both in our home markets and internationally. In Sweden, we are the market leaders in OoH, as well as the public sector.

Private Label and Export

In our Private Label business, we produce coffee for large customers, frequently international ones, under their own brands. Our strengths are that we have the capacity of a major player but the flexibility of a small one, and the ability to adapt to every customer's wishes. We compete for major global contracts, and we are a proud supplier and partner to players such as IKEA, McDonald's and Coop. Our export business is relatively small today, but interest in our products is growing every year. In 2015/16, we participated in several international food and beverage shows, which generated a large number of export inquiries from around the world.

WHAT DO OUR CUSTOMERS AND CONSUMERS THINK?

We continue to have satisfied and loyal B2B customers in Out of Home and Private Label, as well as in Retail. But there is still hard competition for consumer loyalty in the retail sector.

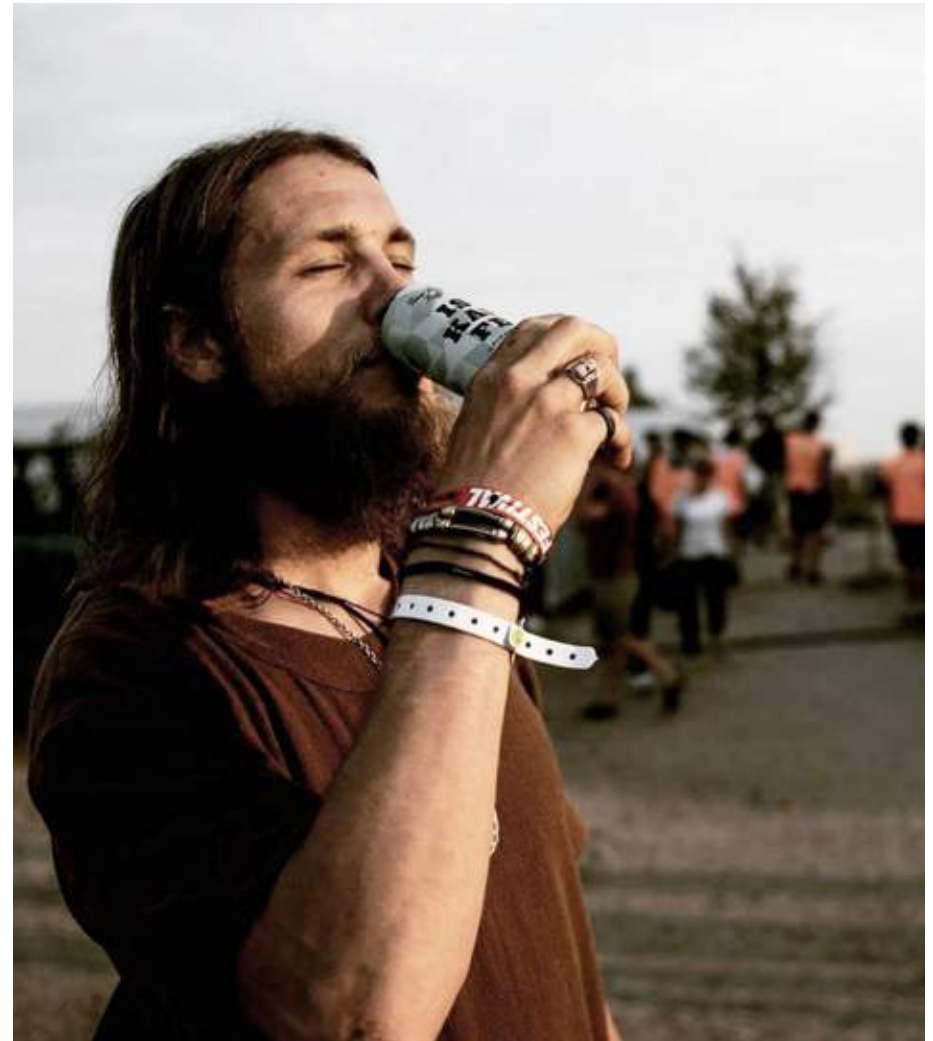
Customer satisfaction

We have three important customer categories. The first customer category is the end consumer who purchases their coffee in supermarkets. Customer loyalty is low in this category for all of the brands in the industry, and consumers often alternate between at least two choices. Löfbergs and Peter Larsen Kaffe are both extremely well-known brands in several markets, while Melna Coffee (Latvia) and Percol (UK) are smaller local brands.

The other customer categories are Out of Home, Retail and Private Label. These are customers who sell our coffee in their own channels, such as cafés, shops and restaurants. McDonald's, Operakällaren, Scandic and Nordic Choice are four examples. Customers in this category are generally extremely satisfied with us as a supplier. The results are as expected. Strong relationships are created at the individual level in the Out Of Home category, where we offer services as well as supplying coffee.

*Customer satisfaction is measured using the Customer Relationship Index (CRI), a weighted index combining performance (how we perform according to the customer) and preference (customers' preference compared with other players in the market). Our Group's CRI score is 75, compared with an industry average of 65.

OUR CRI SCORE IS 75, COMPARED WITH AN INDUSTRY AVERAGE OF 65*.



WHAT ARE OUR FUTURE PROSPECTS?



Reaching our growth target of 1.5 times by 2020* will require continual growth of our business. We value innovation highly and we work hard to be on the cutting edge. Right now, there is a great deal happening on all fronts, from new products to how we meet our customers and where we sell our products.

Trends that affect us

There is a great deal happening in the beverage category that affects our future business. People are constantly in motion, leading to a general increase in “on the go” beverage consumption. Both the served cup and various variants of single serve are also growing rapidly. Meanwhile, the health and sustainability trends are becoming increasingly established in the entire food and beverage category.

Innovation and product development

Innovation and product development are critical tools for the development of our brands in order to address these new trends. We are well equipped today, and the pace of innovation and product

development in our organisation is higher than ever.

Product launches

There is a lot happening, both in established categories such as ground coffee, as well as newer categories such as Ready to Drink, whole beans and capsule coffee. In order to meet customers in new places, we've opened cafés, coffee trucks and mobile coffee bars in several of our markets.

We also launched our plant-based coffee capsule for the Nespresso® system during the year. Our capsules are currently available under the brands Löfbergs, Percol and Peter Larsen Kaffe, and they can be recycled as food waste. In addition, our ICE Ready to Drink range has added new varieties, in both tea and coffee. ICE is made from organic ingredients, and the coffee and sugar are also Fairtrade labelled. The packaging used for our ICE coffee range, Cartocan®, is made from more environmentally sound cardboard that can be recycled.

New businesses and markets

We are continually searching for new business opportunities. We see many opportunities to expand our sales in new markets, while at the same time our prospects for strengthening our position in existing markets are good. One clear

market trend is the increase in the served cup, in other words sales we manage in our Out of Home business. There is great potential in this area, and we are working hard to further strengthen our already strong position in OoH. Other channels such as convenience and various types of digital sales channels are also extremely important to our future growth.



WE LAUNCHED OUR PLANT-BASED COFFEE CAPSULE THAT CAN BE DISCARDED AS FOOD WASTE DURING THE YEAR.

IS THERE A DEMAND FOR SUSTAINABLE COFFEE?



Certified coffee has become increasingly common. At the same time, we have some way to go until all of the coffee we purchase is certified.

A Sustainable Business

We make sure to offer what we call “A Sustainable Business” to our Out of Home customers. This is a way to try to influence customers to choose coffee from Löfberg’s certified range by bringing attention to the positive impact that certifications have on people and the environment. We have about 100 customers who take advantage of this offering and its associated web function. This function gives customers the opportunity to see the impact they have when they choose to purchase certified coffee, for example a higher bonus paid to the farmer when you purchase Fairtrade labelled coffee, and lower use of artificial fertiliser when you buy organic.

Peter Larsen Kaffe on the leading edge

Customers recognise Peter Larsen Kaffe as Denmark’s most sustainable coffee brand. This is a position that generates a high level of respect, but also entails great responsibility. We participate in debates and carry on a continual dialogue with the media and interest groups in

order to increase demand for more sustainable coffee. We are open and clearly in favour of improved working conditions for coffee farmers.

Mobile cafés

Peter Larsen has opened one of the world’s first electric-powered mobile cafés, together with Danish company Ewii. By replacing smoky, noisy and foul-smelling diesel engines with clean energy, this launch represents the future for mobile coffee bars. The first café is located on City Hall Square in Copenhagen.

The campaign for plant-based coffee capsules

“The Percol Pod Revolution” is a communication campaign by our British company, Food Brands Group, designed to encourage companies and private individuals to change from Nespresso® aluminium capsules to our plant-based capsules.

WE ARE CLEARLY IN FAVOUR OF IMPROVED WORKING CONDITIONS FOR COFFEE FARMERS.

The Green Cup: Our British subsidiary Löfbergs Limited has created a green coffee concept based on a circular philosophy. This concept allows us to achieve the following:

- A carbon footprint that is reduced by one-third by collecting the grounds and recycling them into new products.
- All Green Cup coffee is organic and Fairtrade labelled, and we know where the coffee beans are grown.
- Our customers are offered training when they purchase a coffee machine. One of the reasons for this is to promote awareness of the importance of sustainable coffee.
- We donate the profits generated by converting the grounds into fertiliser for various types of sustainability projects. Climate compensation and social projects in coffee-producing countries are a few examples.
- The coffee machines sold are made from recycled coffee grounds to a certain extent.

ARE WE ECONOMICALLY SUSTAINABLE?

The coffee industry is a low-margin industry, typically demanding high volumes in order to generate profits. A long-term effort is now beginning to bear fruit.

Finances

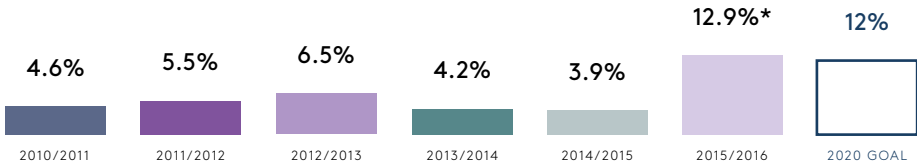
Our profit for the year was SEK 155.9 million, versus SEK 21.7 million in the preceding year. The strong results are partly due to a stable green coffee market, as well as an increase in sales of our own brands. The results include a non-recurring item of SEK 79 million for the sale of a subsidiary.

Our target is to grow 1.5 times by 2019/2020 compared with 2014/2015. This corresponds to 37,373 tonnes.

OUR TARGET IS TO GROW 1.5 TIMES BY 2019/2020 COMPARED WITH 2014/2015. THIS CORRESPONDS TO 37,373 TONNES.

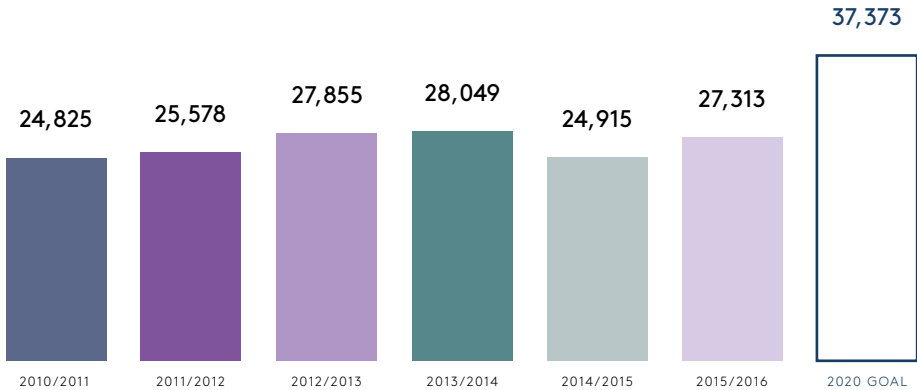


RETURN ON CAPITAL EMPLOYED



*Excluding a capital gain of SEK 79 million for the internal sale of a subsidiary.

VOLUME, TONNES OF COFFEE



ARE WE DOING THE RIGHT THING?

How we pay tax and engage with the community are determined not only from a legal perspective, but also on the basis of our expectations for ourselves as a company.

Taxes

We always pay tax in the country where the revenues occur. We follow established principles for transfer pricing for our internal pricing.

Community involvement

Our most important form of community involvement is what we do within our operations. It encompasses all of our hundreds of sustainability activities every year, which are sometimes a part of our personnel costs, sometimes an investment and sometimes more ongoing in nature such as our investments in the International Coffee Partners projects.

The table to the right is a partial description of our operation in financial terms. It provides figures for those parts of our community involvement that are easier to monitor. It's possible to see in this table that significant amounts are invested in various types of community involvement, whether they be investments

OUR 2015/2016 FINANCIAL YEAR

Revenue	1,906,009
Operating expenses	-1,470,155
Salaries and remuneration to employees	-223,627
Payments to investors	-28,468
Tax paid to the public sector	
Denmark	-4,293
Sweden	-14,835
Norway	-1,011
Latvia	-1,148
UK	-37
Investments in society	-11,454
Retained economic value	150,981

in coffee-producing countries, an important youth culture investment or support for a local sports club. One of the largest investments in this respect is the ICP projects, at SEK 1.5 million per year. At the same time, we contribute to higher tax revenues received by society through our growth. This is also a significant form of value creation.




IS IT WORTH ALL THE EFFORT?


We are continually working to increase our contribution to society and reduce our negative impact. Success is when we achieve both at the same time.

Awards


When we win an award, it means that our work is worth highlighting, and we view this as proof that we're heading in the right direction.




Umoe Restaurant Group names Löfbergs Norway as Supplier of the Year.



The Löfberg family wins entrepreneur of the year awards in both the city of Karlstad and the county of Värmland.



Löfbergs is nominated for the SIAL prize, the largest food innovation prize in the world, for its plant-based coffee capsules and its Ready to Drink coffee ICE.




Löfbergs is ranked number one in the coffee category of the Sustainable Brand Index.



Peter Larsen Kaffe wins the Confederation of Danish Industry initiative prize.



Peter Larsen Kaffe receives the Danish government Organic Gold Label for its mobile coffee bar initiative.



Löfbergs in Sweden receives third place in the large employer category of Universum's and Metrojobb's annual survey where employees rate their current employers.



Löfbergs' new high-bay storage in Karlstad is one of four projects nominated for the Betonggalan (Concrete Gala) Annual Environmental Award.



Löfbergs is ranked as the number two creator of public opinion in Sweden on Twitter, according to Whispr Group and Sustainable Brand Insight.



The Melna subsidiary reaches the silver level in the Sustainability Index in Latvia. Our goal is to reach the gold level next year.



Food Brands Groups/Percol receives a bronze in the UK Packaging Awards in the "Resource Efficient Pack" category for its plant-based coffee capsules.



Peter Larsen Kaffe is awarded the Fairtrade 20-year anniversary prize for its efforts to introduce Fairtrade to new target groups. PLK is responsible for about 40% of all Fairtrade products sold in Denmark.

COFFEE FARMING



WHAT IS COFFEE?

GLOBAL COFFEE EXPORTS ARE WORTH USD 19 BILLION EVERY YEAR, AND COFFEE IS THE SECOND MOST VALUABLE COMMODITY EXPORTED BY DEVELOPING COUNTRIES.



Coffee is a unique commodity. No other beverage is so important to so many people. Together, we drink 2.25 billion cups per day, and 20 million farmers grow coffee in 70 of the world's countries.

Types of coffee

There are two main coffee species, Arabica and Robusta, as well as numerous subspecies and cross-breeds. We use high-altitude Arabica nearly exclusively at AB Anders Löfberg. Differences in flavour depend not only on the type of coffee, but also on farming conditions and how the beans are handled and roasted.

THERE ARE
20 MILLION COFFEE
FARMERS, PRIMARILY
SMALL FAMILY
FARMS.

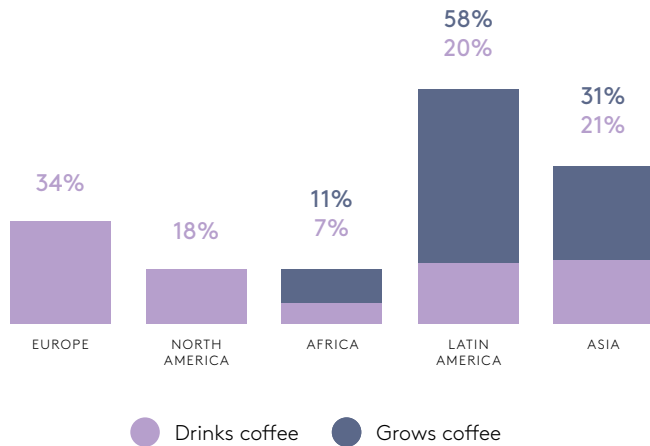


WHAT IS COFFEE?

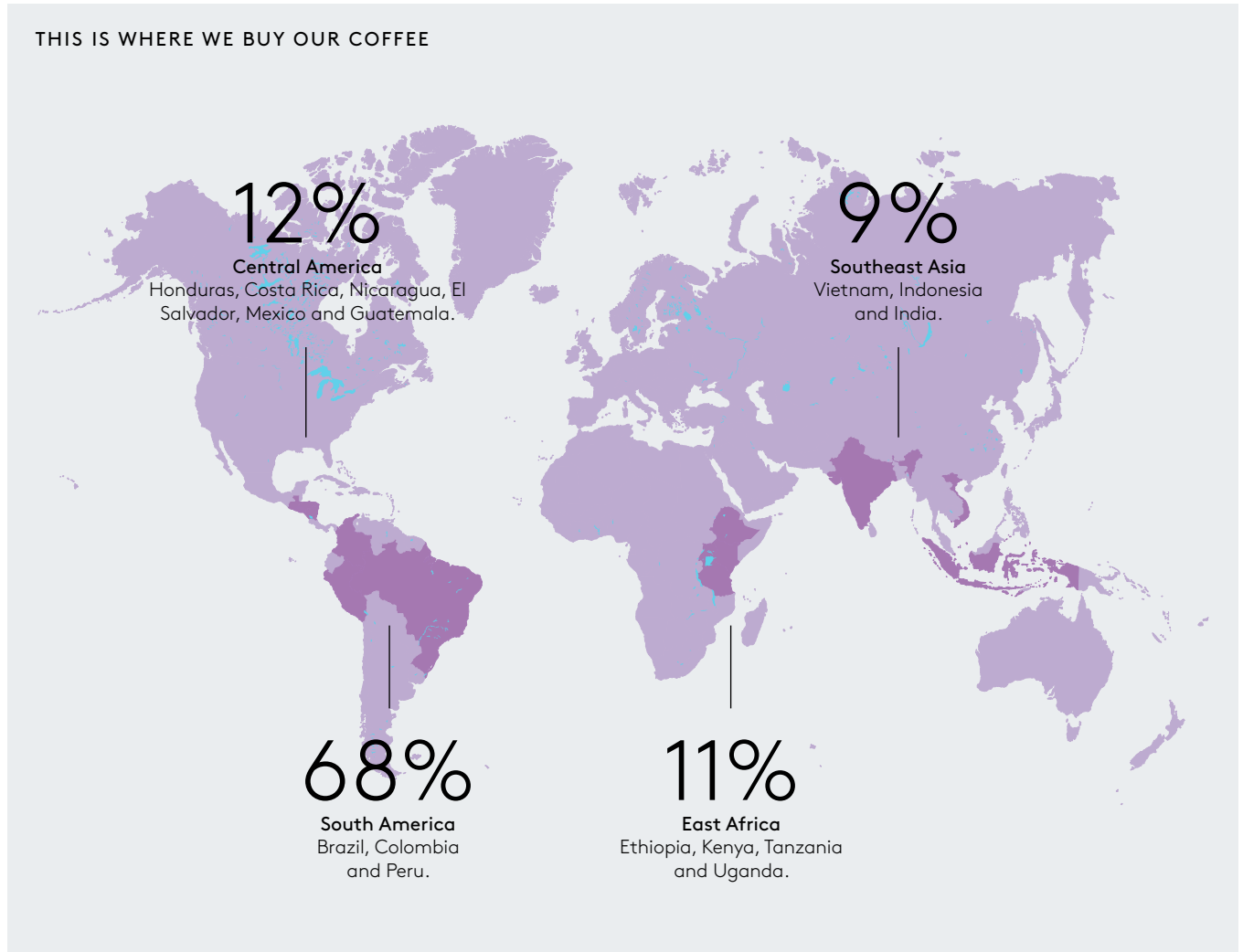
Coffee-producing countries

Global coffee exports are worth USD 19 billion every year, and coffee is the second most valuable commodity exported by developing countries. Coffee beans grow best in tropical climates and they are cultivated in about 70 countries around the world. We purchase our coffee from about 20 countries, with the most important countries shown here.

WHERE THE COFFEE IS CONSUMED/GROWN



THIS IS WHERE WE BUY OUR COFFEE



IS OUR COFFEE UNDER THREAT?



Perhaps in the future, it will not be a given to consume coffee the same way we do today. Climate change affects the entire planet, and coffee is a crop that is extremely sensitive to the changes taking place.

Climate change

Half of the land in the world where we grow coffee runs the risk of becoming unusable by 2050 due to climate change according to [“A Brewing Storm: The climate change risks to coffee”](#) September 2016, published by The Climate Institute. If global warming is at an unavoidable level of 1.5°C, the resistance and adaptability of farming communities are completely decisive. Although the world’s politicians have agreed on a maximum global temperature rise of 2°C, the steps that have been taken are not sufficient to stay below the critical limit. A rise beyond 2°C would hit the 125 million people in over 70 countries that make their living from the coffee industry, most of them in developing countries, extremely hard.

Endangered coffee

A 2012 report authored by researchers at the Kew Royal Botanic Gardens warns that the Arabica coffee species, primarily the wild variety, runs the risk of extinction by 2100. In the Congo basin, where the Robusta bean originated, the wild Robusta variety risks local extinction as early as 2050. Namely it appears that neither Robusta nor Arabica can survive even moderately difficult climate change. This is extremely serious since wild coffee plants constitute a storehouse of genetic assets that may prove to be decisive to the development of new types of coffee that could survive both drought and disease.

IN 2015/2016, WE CONTRIBUTED SEK 51 MILLION IN BONUSES AND REVENUES TO FAIRTRADE FARMERS.

WHAT ARE WE DOING TO SECURE THE COFFEE OF THE FUTURE?

Securing long-term access to coffee is our most important sustainability issue by far. Adapting farming to the climate and environment and the establishment of good social conditions will be needed to achieve this. But the farmers also need to be paid a reasonable amount for the next generation to see a future in coffee farming.

Sustainability strategy

We are working actively to get more farmers to convert to sustainable farming methods, as well as to improve living conditions for the approximately 40,000 coffee farmers who grow our coffee.

Codes of Conduct

AB Anders Löfberg's Supplier Code of Conduct consists of a set of requirements and guidelines for sustainable farming and purchasing. The Code is based on the Global Compact's 10 principles, the ILO's fundamental conventions and the Group's own guidelines for ethics and the environment. This Code of Conduct also contains a requirement that suppliers guarantee GMO-free cultivation of the coffee they supply.

Risk analyses

All coffee-exporting countries are high-risk countries according to the UNDP HDI (Human development index) and the BSCI (Business for Social Compliance Initiative). These countries are usually young democracies. They often have the laws in place, but they do not have sufficiently strong systems to ensure compliance with the

laws. We work systematically to evaluate compliance with our Code of Conduct, we perform regular random tests down to the farm level, and we engage in a close dialogue with our suppliers and cooperatives on these issues. However, the risk level according to our systematic risk assessments of suppliers is becoming ever lower since we increasingly buy our coffee from certified farms.

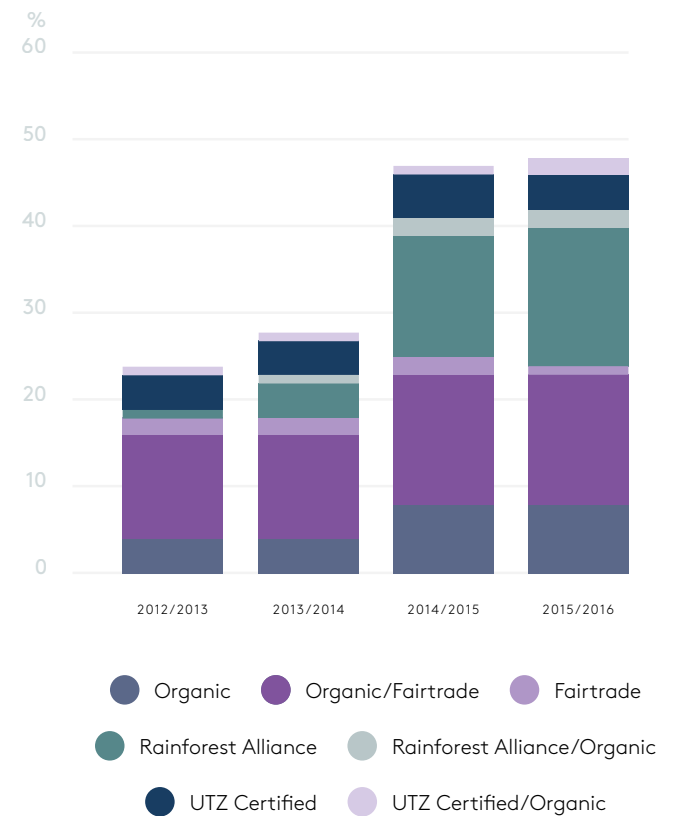
Certified farms

Certifications contribute to more sustainable coffee farming, and the coffee farmers' chances when facing climate change improve significantly. Other clear benefits are healthier ecosystems on and around the farms, application of more sustainable agricultural methods and protection of local water resources.

On our trips when visiting cooperatives and farmers, we see all of the benefits provided by certifications with our own eyes. Some clear examples we see are that the position of women is strengthened, conditions for children's education improve, access to healthier food is ensured and knowledge of organic farming increases. But there are also aspects of agriculture that are difficult to reach and change. Handling of chemicals on the farm and the employees' living situation are a couple of examples. Therefore, both we and the certification bodies attribute extra importance to improving these aspects.

Our goal is for our entire range, i.e. 100% of our own brands, to be certified by 2020. The Löfbergs range is already certified in all markets, and AB Anders Löfberg is one of the world's largest importers of organic and Fairtrade-labelled coffee today. Going forward, our efforts will be to increase the share of certified coffee for Peter Larsen and Melna. Percol has offered nearly 100% certified coffee during our entire ownership.

SHARE OF PURCHASED CERTIFIED COFFEE



WHAT ARE WE DOING TO SECURE THE COFFEE OF THE FUTURE?

Rate of certification

82.2% (75%) of our range was certified in 2015/16. To date, 47.8% of all the coffee we purchase is certified. The difference is due to reasons including that a small number of customers, whose coffee we produce under their own brands, are still not requesting certified coffee.

Another reason is that most Rain Forest Alliance-labelled products only contain 30% coffee from certified farms so far. (Rainforest Alliance accepts a five-year plan for its label, where applicants guarantee at least 30% of the coffee in a package will come from certified farms in the first year, and 100% in the fifth year.)

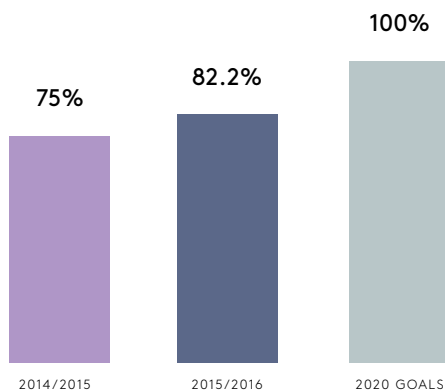
The date of the final goal when all purchased green coffee must be certified has not yet been decided, but we are

working to encourage all of our customers to request certified coffee. We won't give up until we reach 100%. Read more about this under [A Sustainable Business on page 18](#).

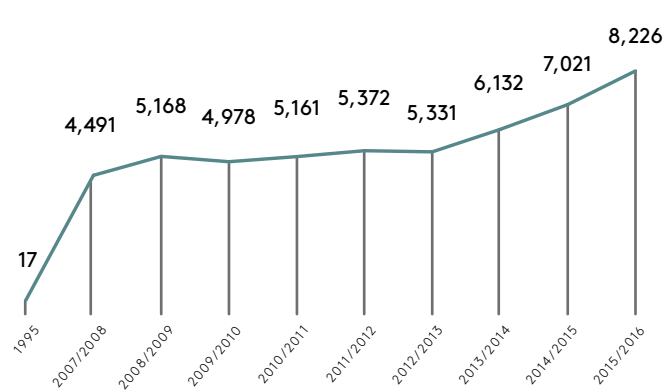
Traceability

We purchase our coffee directly from the producing countries with as few intermediaries as possible. A large percentage is sourced from small-scale coffee farmers that sell the coffee through cooperatives. We always have full traceability on the coffee we purchase, even though a delivery from a cooperative may therefore consist of coffee from hundreds of different coffee farmers. We have long-standing relationships with our suppliers and cooperatives, and we travel about 100 to 150 days a year to meet the coffee farmers.

SHARE OF SOLD CERTIFIED COFFEE (OWN BRANDS)



PURCHASED ORGANIC GREEN COFFEE (TONNES)



OUR SUSTAINABILITY LABELS

The labels we work with focus on different aspects, but they all contribute to sustainable development for people and the environment.

Fairtrade is an independent product label that focuses on human and labour rights. The farmer is guaranteed a minimum price and the cooperative receives an extra bonus. This paves the way for better working and living conditions.



Rainforest Alliance is an independent label that focuses on conserving biodiversity, sustainable farming methods and the conditions and livelihoods of the farmers.



UTZ Certified is a non-profit organisation that enables more sustainable production, increased productivity and higher standards of living through information and education.



The EU organic production logo is mandatory for all prepackaged organic food products. Use of the label is voluntary for imported food products. However at least 95% of the ingredients must come from a certified organic farm.



The KRAV label is only applied to food products grown without chemical pesticides or herbicides, artificial fertilisers or GMOs. Moreover, the products must only contain natural additives. The label also stands for humane animal welfare, social responsibility and a sustainable climate.



The Ø label is a Danish organic label. The label may be placed on organic products produced and inspected by the Danish Veterinary and Food Administration and the EU.



Soil Association Certification is the largest label for organic products in the UK. The label is used for food products, animal welfare, textiles and beauty products.



WHAT ARE WE DOING TO SECURE THE COFFEE OF THE FUTURE?

Development projects

The world's coffee farming will not be sustainable until 2045, given current efforts. This is neither adequate nor acceptable. Therefore, we are pursuing several development projects in cooperation with other players. The purpose is to improve the competitiveness and living conditions of small-scale coffee farmers.

International Coffee Partners (ICP)

We founded [International Coffee Partners \(ICP\)](#) together with four other privately-owned European coffee companies in 2001. Today the number of European companies operating ICP has risen to seven, and AB Anders Löfberg's Chairman Kathrine Löfberg has been Chairman of the Board since the beginning of 2016.

ICP supports local projects that provide coffee farmers with education and practical training in subjects such as farming methods and adaptation to climate change. The coffee farmers are small-scale, and they usually farm on less than two hectares of land, which is equivalent to about two football pitches. The project's method consists of help to achieve self-help, and it focuses on increasing productivity, improving coffee quality and strengthening the farmers' knowledge of marketing. Taken together, all of these contribute to higher profits

for the farmers in both the short and long terms.

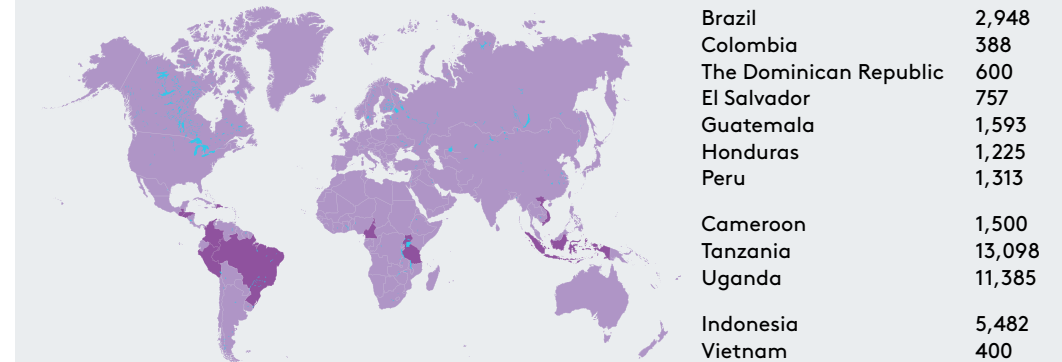
EUR 13 million has been invested in projects in 12 countries since 2001, and over 40,000 farmers and their families have been reached since the beginning. The total budget is approximately EUR 1 million per year, of which our contribution is 15% (about EUR 150,000). In many cases, we cooperate with other players including the Swedish International Development Cooperation Agency (SIDA). The participants have in many cases doubled or even tripled their income, which naturally has great effects on the standard of living and the development of the local community. The target for 2018 is to reach 75,000 farmers. In the long term, these farmers could possibly become suppliers to us.

In 2017, we will purchase coffee from projects we run in Tanzania. However as things stand now, relatively few farmers are able to meet our requirements for flavour, quality, sustainability, price and delivery performance.

Coffee & Climate

We operate the [Coffee & Climate](#) project, together with the members of ICP and several other coffee companies, as well as the development assistance organisations SIDA in Sweden and GIZ in Germany.

COUNTRIES WHERE ICP HAS PROJECTS & HOW MANY FARMERS WE HAVE REACHED



The project combines knowledge from international climate research with coffee farmers' practical experience. The project has developed a specific toolbox that can be used by coffee farmers all over the world to manage climate change and secure the coffee resources of the future. To see the toolbox, go to <http://toolbox.coffeandclimate.org/content/>

WHAT ARE WE DOING TO SECURE THE COFFEE OF THE FUTURE?

Common Code for the Coffee Community (4C), now [Global Coffee Platform](#)

4C is an agreement on a code of conduct for the global coffee industry. Its purpose is long-term sustainable coffee production in the world. AB Anders Löfberg was involved in the foundation of 4C, and today the largest players in the international coffee industry stand behind the code. The agreement encompasses social conditions, the environment, economics and energy.

Coffee for a better future in Kenya

Two years ago, Peter Larsen Kaffe initiated the project “Coffee for a better future” with the Othaya cooperative in Kenya’s Nyeri province. It’s a partnership with the 15,000 farmers in the region, who have struggled with yield and earning a profit for years. The project’s objective has been to ensure higher yields, better finances, increased security and higher-quality coffee through direct trade and training.

About 4,500 farmers have undergone training, and in two years these farmers’ yields per coffee tree have quadrupled. In 2014, a coffee farmer in the cooperative harvested 3 kg of coffee cherries per tree on average, while today the harvest is nearly 13 kg per tree.

The project has been commended by

Danida and the Danish Embassy in Kenya, and the COOP grocery chain has built upon the project, establishing its own production in Nairobi. Peter Larsen Kaffe has also successfully communicated about the project in Denmark to increase understanding of the challenges facing many coffee farmers.

OUR GREATEST CHALLENGES IN SECURING COFFEE FOR THE FUTURE ARE CLIMATE CHANGE AND THE NEXT GENERATION OF COFFEE FARMERS.



PROCESSING

WHAT IS OUR ENVIRONMENTAL IMPACT?

OUR CLIMATE OBJECTIVE IS TO REDUCE EMISSIONS OF GREENHOUSE GASES IN RELATION TO THE PRODUCTION VOLUME OF COFFEE BY 40% FROM 2005 TO 2020.



THE HAGA INITIATIVE WORKS TO REDUCE EMISSIONS BY THE BUSINESS SECTOR AND RAISE AWARENESS OF THE CLIMATE ISSUE BY DEMONSTRATING THAT AMBITIOUS CLIMATE STRATEGIES PRODUCE BUSINESS ADVANTAGES AND HIGHER PROFITS.

Although 80% of climate impact occurs in connection with farming, we need to do everything we can to reduce emissions in our own operations as well.

Energy use and greenhouse gas emissions

One of our most important objectives is to reduce our climate impact. This is one of the reasons we are members of the [Haga Initiative](#). The Haga Initiative is a network of companies that work to reduce emissions by the business sector and raise awareness of the climate issue by demonstrating that ambitious climate strategies produce business advantages and higher profits. The network has 15 members, including Coca Cola, Siemens, McDonald's and Akzo Nobel.



WHAT IS OUR ENVIRONMENTAL IMPACT?

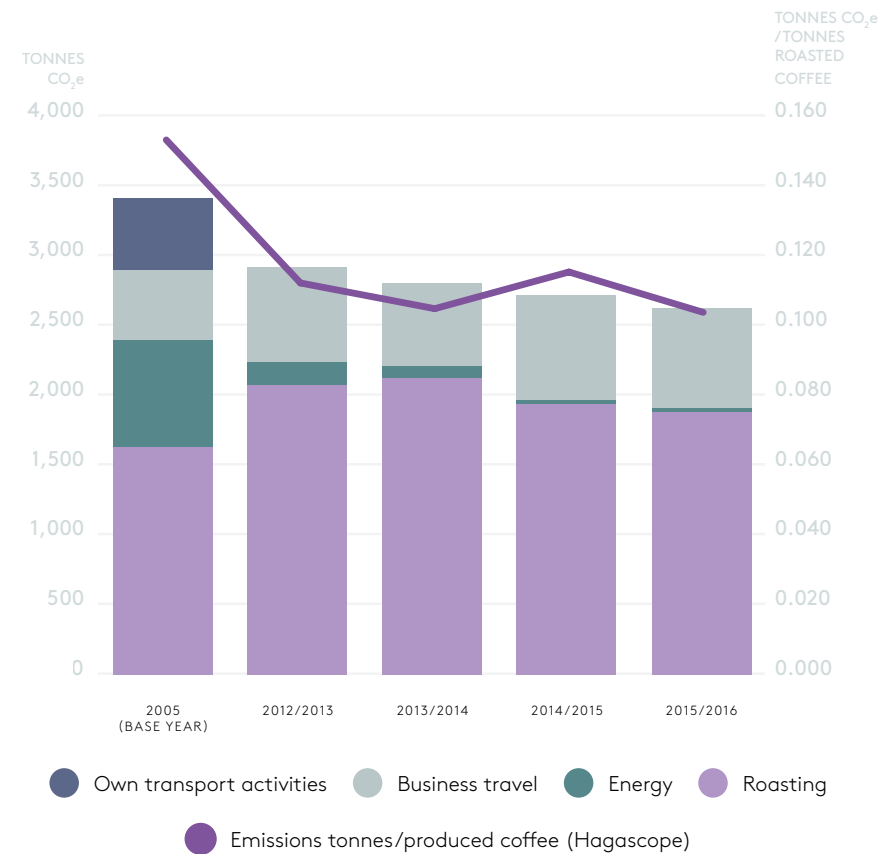


Climate goals

Our climate objective is to reduce emissions of greenhouse gases in relation to the production volume of coffee by 40% from 2005 to 2020. (The emissions that are considered to be part of the Greenhouse Gas Protocols Scope 1 and 2, as well as business trips in Scope 3. Our environmental foot print is annually estimated within the scope of our membership in the Haga Initiative, and includes the business in Sweden and the production in Denmark which is directed from Sweden.) The reduction to date is 32%.

Between 80 and 90% of the climate impact of coffee takes place during the farming stage, and therefore this is where measures have the greatest impact. We cultivate close long-term relationships with coffee farmers around the world in order to contribute to more sustainable farming methods. We work actively to increase the share of certified coffee in order to increase both the supply of and demand for sustainable coffee.

DISTRIBUTION OF CO₂e EMISSIONS IN TONNES (SCOPE 1 AND 2, AS WELL AS BUSINESS TRIPS IN SCOPE 3.)



HOW ARE WE TO REACH OUR OWN BUSINESS'S CLIMATE TARGETS?

We have systematically employed energy-efficiency measures for many years. As a result, our energy use per produced volume of coffee has been cut in half in 20 years.

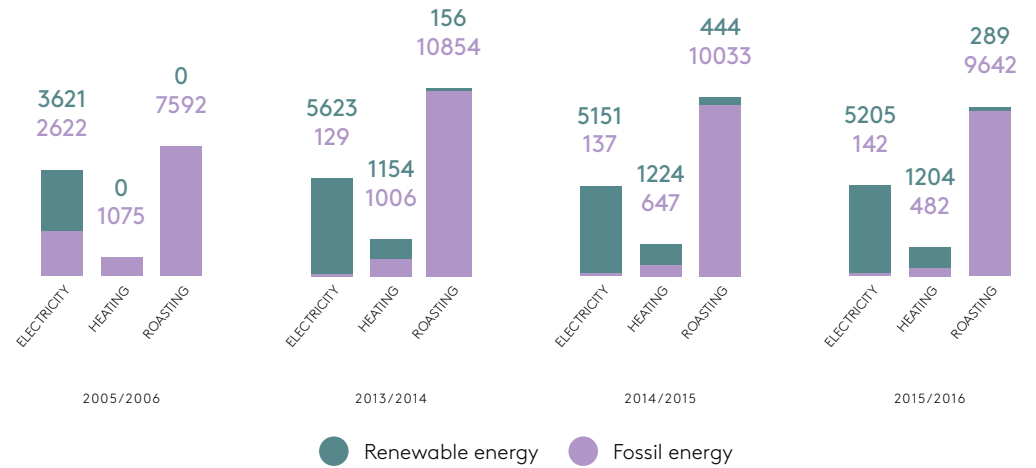
WE'VE DOUBLED PRODUCTION AT OUR LARGEST PRODUCTION UNIT (KARLSTAD) SINCE 1991, BUT WE USE THE SAME AMOUNT OF ELECTRICITY.

- A selection of results of our energy efficiency and climate efforts in Karlstad:**
- 1995 Bedrock heat for the office.
 - 1998 Lighting with presence sensors.
 - 1998 to 2002 Demand-responsive conveyor systems.
 - 2000 Heat recovery from compressor installation.
 - 2002 & 2003 Heat recovery from roasting.
 - 2002 & 2008 More insulation added.
 - 2005 District heating to the plant.
 - 2008 Wind power.
 - 2014 Life Project Suncool.

Energy efficiency

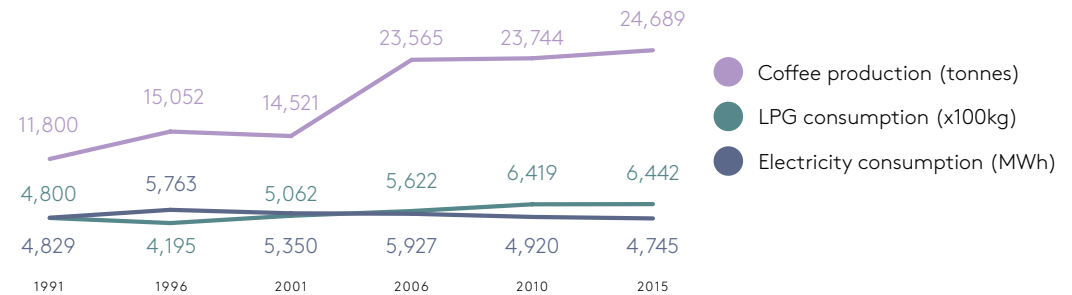
The most important measures were already taken before 2005, which makes it a challenge to make things even more efficient. When we reach our goal of 100% renewable energy by 2020, we will also reach our Haga Initiative goal to reduce our climate impact by 40% from 2005 to 2020. Today we use wind power, bedrock heat and district heating, but our major challenge lies in finding a renewable fuel for roasting coffee in our facilities in Karlstad and Riga. Today, we are using LPG and town gas. If we are to reach our climate target, we must mix renewable fuel into the LPG for coffee roasting before 2020. We purchase biogas for our roasting house in Viborg via the city gas system.

ENERGY USE (MWh) IN OUR FACILITIES IN KARLSTAD, VIBORG AND RIGA



(The diagram above does not include Sandejord, because the roasting house represents less than 0.1% of production volume)

RELATIONSHIP OF LPG AND ELECTRICITY CONSUMPTION TO PRODUCTION (KARLSTAD)



HOW ARE WE TO REACH OUR OWN BUSINESS'S CLIMATE TARGETS?

Transport and delivery – by ship, rail and truck

Coffee thrives near the equator. Our coffee is grown on the green slopes of the Andes, the precipices of Mount Kenya and several other exciting places in the so-called “coffee belt”. However, the distances involved mean that the coffee beans travel a long way to reach our part of the world. We have worked for a long time to make these transports more efficient and reduce their climate impact – both incoming transports of coffee beans and distribution transports of the finished products to our customers.

Nearly all our coffee is transported by ship as bulk cargo in containers to Gothenburg, and then by rail to our facilities in Karlstad. Shipping by rail rather than by truck saves more than 2,700 tonnes of carbon dioxide per year. The small volume of coffee that is not shipped to Karlstad is received in the ports of Århus and Riga, and transported onward by truck to our respective roasting houses in Denmark and Latvia. Some customers pick up their coffee directly at our warehouse, while the rest is delivered to wholesalers and customers’ warehouse terminals. We have high demands for the transport companies we hire for distribution and delivery. In Sweden, we use the Q3 procurement tool for sustainable transports, which

incorporates work environment, road safety and environmental criteria.

To optimise and reduce the number of transports, we continually strive to make planning and packing as efficient as possible, and we are actively working to streamline our order and freight processes.

In 2016 we opened our new [high-bay storage facility](#), which has received Silver level Miljöbyggnad certification from the Sweden Green Building Council. The warehouse is strategically located close to both the motorway and the railway in order to avoid heavy traffic in central Karlstad where our plant is located. We plan to utilise the railway to an even greater extent in the future. The transport vehicles that run daily from production to the warehouse are powered by the renewable fuel HVO.



Green aviation fuel

The impact of aviation on the climate must be reduced. It's important to us to be able to visit our suppliers and the farms our coffee comes from, and unfortunately flying is still the only reasonable alternative. In the past, we purchased carbon offsets for all of our business flights, but in 2016 we decided to support the [Fly Green Fund](#) instead. This fund is devoted to the development and use of fossil-free aviation fuel.

Company cars

Theoretically, the cars we use when on duty may not emit more than 120 grams of carbon dioxide per kilometre, according to our car policy. The actual average for our company cars during 2015/2016 was 186 grams per kilometre, a marginal reduction compared with the previous year which was 188 grams per kilometre. As we proceed on our journey towards completely renewable fuels, we will now evaluate potential options for further reducing our carbon dioxide emissions. Electric hybrids are one option we are evaluating. 7 of the Group's 124 company cars are electric hybrids today.

Reducing the climate impact of transport activities is a major challenge. We are trying to increase the rate of conversion to renewable fuels by participating in programmes such as the [Haga Initiative](#) and [Fossil-free Sweden](#).

Action plans for our environmental efforts: A lot has happened and there is much yet to be done. In addition, it's something of a moving target. Something that was considered a “best practice” a few years ago is expected of everyone today. Here are some of the actions we will take in the next few years:

- Work to ensure that all company cars run on biofuel or electricity.
- Replace LPG with biofuel in the Karlstad roasting house.
- Increase the share of renewable packaging materials.
- Increase the share of renewable fuel for transport providers.
- Develop Group-wide travel and car policies.
- Use renewable electricity in all of the Group's offices and buildings.
- Improve waste sorting in all of the company's offices and buildings.
- Ensure that the range of all of our brands in all of our markets is 100% certified by 2020.

CLIMATE-SMART PACKAGING MATERIALS – HOW HARD CAN IT BE?

All of the packaging that is needed to maintain quality and flavour produces a significant environmental impact. The challenges we face in our choice of packaging materials mean that sometimes we need to give up on the idea of finding a perfect solution, and find an optimal solution instead.

Packaging

We want to minimise the amount of materials used, and ensure that the materials we do use can be recycled or reused, and that the materials are based on renewable materials. But at the same time, we need to be able to guarantee factors such as food safety and sealing tightly to preserve aroma. Sometimes these goals are quite simply incompatible.

Our vacuum-packed coffee is as environmentally optimised as is possible today without compromising food safety and quality. As early as 1993, we were the first to remove aluminium from coffee packages, and in our opinion our vacuum packaging is still the most environmentally adapted and resource-efficient coffee packaging on the market today. For ex-

ample, transport volumes are reduced to a minimum since the packages' measurements are tailored to EU pallets. Moreover, the size of the packages is based solely on the volume of the coffee, which has in turn been minimised by compressing and vacuum packing the coffee. The plastic laminate has a protective outer layer of polypropylene. Together with a paper wrapper, this has made it possible to reduce the thickness of the laminated plastic significantly. The laminate is constructed from polyolefin plastic (polypropylene/polyethylene), which is converted to carbon dioxide and water when it is completely incinerated. In addition, the plastic material can be recycled.

Is plastic necessary?

A packaging material with a strong barrier is needed to preserve all of the coffee's aromas and prevent the etheric oils from oxidising. Laminated plastic is the optimal material for this purpose. We endeavor to use only plant-based plastics, but as things stand now none of these plastics are adequate or sufficiently cost-efficient. However we are not giving up, and we continue to search for a good plant-based alternative.

Plant-based Nespresso® capsules

Coffee capsules have experienced strong growth in recent years, and in 2014 they



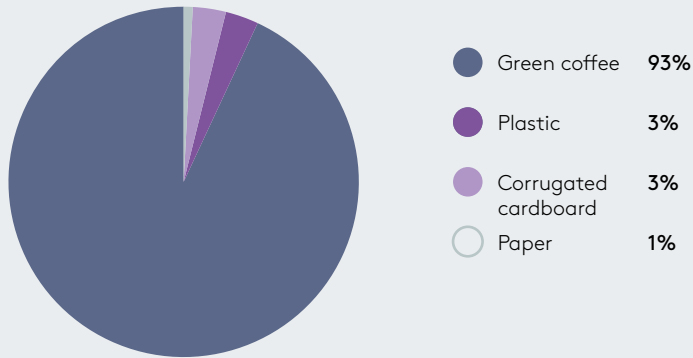
AS EARLY AS 1993, WE WERE THE FIRST TO REMOVE ALUMINIUM FROM COFFEE PACKAGES, AND TODAY WE'RE THE FIRST TO LAUNCH PLANT-BASED COFFEE CAPSULES.

represented 4.5% of the total coffee market in Sweden and a full 30% of the market in Europe. The capsules are made almost exclusively from non-renewable materials such as plastic and/or aluminium, often wrapped in even more materials to preserve the flavours. Therefore, we're proud to be able to offer consumers a certified coffee in capsules made from plant-based materials rather than fossil plastic or aluminium. Our capsule, which was launched in spring 2016, is made from PLA and can be discarded into the food waste handled by the municipality. Moreover, they have the lowest CO₂ footprint in the market, 15 times lower than the aluminium versions, and four times lower than polypropylene capsules. Thanks to an oxygen barrier inside the capsule, there is no need for any extra packaging material, which makes the package extremely small compared with many other products on the market. In addition, the packages are optimised for EU pallets in order to maximise use of transport space.

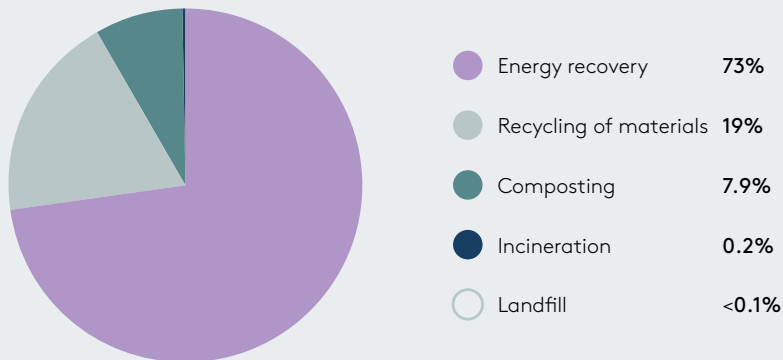
We want to inspire more people to follow our example. Therefore, our CEO has written an open letter to industry colleagues, which you can read here: <https://www.mynewsdesk.com/lofbergs/pressreleases/the-world-needs-innovative-solutions-not-more-coffee-capsules-in-aluminium-and-plastic-1549810>

CLIMATE-SMART PACKAGING MATERIALS – HOW HARD CAN IT BE?

QUANTITY OF RAW MATERIAL (TOTAL 32,996 TONNES)



RECYCLING AND HANDLING OF WASTE KARLSTAD (TOTAL 553 TONNES)



Use of materials

Our use of materials is based on a circular approach, and all of the packaging materials we use are adapted for material recycling. Green coffee is the largest raw material in absolute terms, making up 93% of our total material usage. Both Löfberg’s ICE products and Peter Larsen Iskaffe are packaged in Cartocan®, which is a more environmentally-friendly alternative to aluminium and PET.

Waste management

The total quantity of waste for last year was 553 tonnes (Karlstad). The vast majority of this waste (73%) is used for energy recovery. Less than 0.1% ends up at the landfill. Close to 100% of all waste is recycled as energy, material or compost/biogas.





EMPLOYEES

WHAT IS IT LIKE TO WORK FOR US?

OF COURSE WE HAVE GREAT COFFEE DURING 'FIKA' (COFFEE BREAKS). BUT MORE THAN THAT IS NEEDED IF PEOPLE ARE TO THRIVE IN THEIR WORKPLACE.

OUR GOAL IS TO HAVE 40% OF MANAGERIAL POSITIONS OCCUPIED BY WOMEN BY 2020.



In 2015, Löfbergs was designated the third best employer in Sweden in the annual survey carried out by Universum and Metrojobb. We were also named as one of Sweden's 100 most exciting companies at which to make a career by Jobtip. How did we do it?

AB Anders Löfberg the employer

Of course we have great coffee during 'fika' (coffee breaks). But more than that is needed if people are to thrive in their workplace. In recent years we have worked hard at equality, employee development, leadership and ethics. We have also developed a set of values that are shared by everyone who works in the organisation, regardless of which market they work in.

Nevertheless, there is some way to go before we are satisfied and can truly see what an equal, inclusive and healthy corporate culture means to us. But these awards are an important sign that we are moving in the right direction.



WHAT IS IT LIKE TO WORK FOR US?

Equality and diversity

We need to get even better at promoting equality and diversity. Women are significantly in the minority today. Men make up 61% of the entire organisation, and they hold 70% of managerial positions. Things look better on the Board of Directors, where 44% of the members are women.

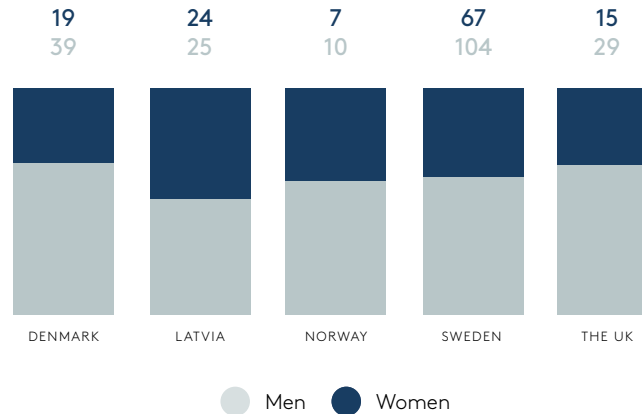
Leveling out these differences is our top priority, and our goal is to have 40% of managerial positions occupied by women by 2020, and to achieve a completely even distribution in the longer term. However, we can already celebrate the fact that the number of women on the executive team has increased by 50% since last year: today it is made up of four women and six men.

We regularly follow up our situation in order to ensure that the trend is moving in the right direction. The process includes accessibility for people with disabilities, equality in managerial positions and on the executive team, use of parental leave and procedures concerning recruitment, harassment and bullying. We will also began an initiative to shed light on any norms and structures that work against us in our efforts to achieve a more even gender balance and inclusive workplace.

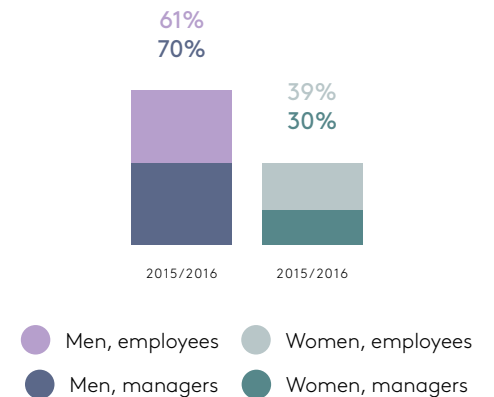


IN 2015/2016, THE NUMBER OF WOMEN ON THE EXECUTIVE TEAM INCREASED BY 50%, AND NOW THE DISTRIBUTION IS 40% WOMEN AND 60% MEN.

NUMBER OF EMPLOYEES PER COUNTRY (2015/2016)



EMPLOYEES AND MANAGERS IN THE GROUP



WHAT IS IT LIKE TO WORK FOR US?

Leadership

When it comes to leadership, we have clear expectations for managers and leaders in their daily work. In addition to being guided by our values, they must act to encourage a long-term sustainable business. They must be available and present for their employees, and they are required to be responsible for the well-being of all employees. Leadership also entails holding regular sessions to provide employees with constructive feedback and appreciation.

In addition to leadership training, all managers undergo continual training to ensure good leadership. Leadership training is divided into five blocks, and all managers must complete all of the steps in these blocks.

Professional development

We engage in professional development as part of our efforts to create a thriving and stimulating workplace. We hold regular professional development meetings with all employees, during which individual development plans are created.

Talent programme

In order to develop professional skills and retain talent within the organisation, we've developed a talent programme where at least half of the spots are reserved for women. The programme's

MANAGERIAL TRAINING - DIVIDED INTO 5 BLOCKS



THE TALENT PROGRAMME'S OBJECTIVES INCLUDE CULTIVATING THE LEADERS OF TOMORROW AND INCREASING EQUALITY.



objectives include cultivating the leaders of tomorrow and increasing equality. The programme consists of three modules, with each module lasting between two and three days.

1. In the first module, we focus on helping participants to understand various aspects of the leader's role and to reflect upon their own sources of motivation.

2. Participants' ability to view the business from holistic and business perspectives are developed during the second module. Participants also develop understanding and acceptance of how a business works.

3. In the last module, we focus on training employees to view communication as a tool. This is also a matter of gaining insight into group dynamics and what types of leadership different groups and individuals may need at different times.

HOW DO WE CONDUCT OURSELVES?

It's important for our employees to take responsibility and act with a high level of integrity if we are to practice what we preach. This requires us to be clear about the values and rules that apply.

Health and safety efforts

Health and safety efforts are pursued systematically, through measures including our two internal forums: the Work environment group and the Safety group.

Ethics

To us, good business ethics is obvious. This means that we actively combat corruption and unethical business methods in the countries where we operate. We are also committed to promoting equality and equal opportunity for everyone.

We must offer decent jobs and professional development opportunities to the people who work for us in the countries where we operate. We achieve this through measures including ensuring that human rights are respected throughout the entire value chain and contributing to professional development.

See our Business Ethics Policy and Code of Conduct at <https://en.lofbergs.se/about-us/policies-and-certificates/>

Whistleblowers

All employees in the organization have a responsibility to report when something happens that is against our values or Business Ethics Policy. This must be reported first to an immediate supervisor or someone in executive management, but we also have a whistleblower system. The system is designed for confidential and anonymous reporting, and a report must always be followed up within one week by the Director of HR, CFO or Director of Sustainability. No reports were submitted in the past year.

OUR WHISTLEBLOWER SYSTEM IS DESIGNED FOR CONFIDENTIAL AND ANONYMOUS REPORTING, AND NO REPORTS WERE SUBMITTED IN THE PAST YEAR.



GRI INDEX

HOW DO WE DO OUR REPORTING?

This is our fifth sustainability report, and it concerns the fiscal year from 1st of July 2015 to 30th of June 2016. This is where we report our direction, goals, actions, results and challenges in our efforts to achieve sustainable development throughout our value chain – from bean to cup. To guarantee reliable and relevant reporting of our sustainability efforts, we apply the [guiding principles of the Global Reporting Initiative, at the G4 Core level.](#)

The contents of the report reflect the issues that are significant when it comes to our business's impact on people and the environment, our strategic direction and our stakeholders' demands and expectations.

The reported data applies to the entire business unless otherwise stated.

Basic data for key performance indicators and statistics is gathered from our internal business system, and no external

audit of the report has been performed. However, our business is regularly audited by external auditors through our participation in environmental, quality and food safety certification programmes.

As members of the Haga Initiative climate network, we also receive external support for quality assurance regarding climate data. We publish an annual Greenhouse Gas Emissions Disclosure according to the GHG Protocol with the other member companies.

Stakeholder dialogues and materiality analysis

Before we began working on this report, we performed a summary materiality analysis in dialogue with key internal personnel.

The aspects shown in the GRI Content Index are those that are the most important to our business.

The process of identifying these aspects is based on an open and attentive dialogue with customers, suppliers and other stakeholders in the world around us. It is also based on a benchmark analysis that is partly founded on the networks in which we participate. Regular customer and consumer surveys also provide us with important insights. (For further reading on this subject see [page 16](#)).



REGULAR CUSTOMER
AND CONSUMER SURVEYS
ALSO PROVIDE US WITH
IMPORTANT INSIGHTS.

**If you have any questions or thoughts,
please get in touch!**

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HOW DO WE DO OUR REPORTING?

INDICATOR	DESCRIPTION	PAGE/COMMENTS
GENERAL INFORMATION		
STRATEGY AND ANALYSIS		
G4-1	Statements from the Chairman of the Board and CEO	3-6
ORGANISATIONAL PROFILE		
G4-3	Name of the organisation	10
G4-4	Primary brands, products, and/or services	12
G4-5	Location of organisation's headquarters	10
G4-6	Countries in which the organisation operates	11
G4-7	Nature of ownership and legal form	11
G4-8	Markets served	10
G4-9	Scale of the organisation	10
G4-10	Description of workforce	39 The majority of staff are employed full or half-time.
G4-11	Proportion of employees covered by collective agreements	All employees in Sweden are covered by collective agreements.
G4-12	The organisation's supply chain	23-24
G4-13	Significant changes in the organisation during the reporting period	No significant changes.
G4-14	Approach to the precautionary principle	Through systematic risk management and environmental management.
G4-15	Externally developed economic, social or environmental charters, principles, or other initiatives to which the organisation subscribes or endorses	14,31
G4-16	Memberships and associations	14,31
G4-17	Entities included in the organisation's financial report as well as information on whether any one of these is not included in non-financial reporting	Both the financial and sustainability reports refer to the entire Löfbergs Group.
G4-18	Process for defining report content	23-24
G4-19	Material aspects included in the report	45
G4-20	Aspect boundary within the organisation	45
G4-21	Aspect boundary outside the organisation	45

INDICATOR	DESCRIPTION	PAGE/COMMENTS
G4-22	The effects and causes of any restatements of information provided in previous reports	No such changes.
G4-23	Significant changes in scope or boundary	No such changes.
STAKEHOLDER DIALOGUES		
G4-24	Stakeholder groups	14,43
G4-25	Identification and selection of stakeholder groups	43
G4-26	Stakeholder dialogue	43
G4-27	Key topics and concerns raised by stakeholders	Selected aspects should be viewed as a summary of the issues that are important to all stakeholders.
REPORT PROFILE		
G4-28	Reporting period	2015/2016
G4-29	Publication date of most recent report	December 2015
G4-30	Reporting cycle	Annual
G4-31	Contact person for the report	43
G4-32	In Accordance option and GRI Content Index selected by the organisation	44-45
G4-33	Policy and procedures for external assurance	43
GOVERNANCE		
G4-34	Governance structure of the organization	12
ETHICS AND INTEGRITY		
G4-56	Values, codes of conduct and principles of the organisation	13-14, 26, 41

HOW DO WE DO OUR REPORTING?

INDICATOR	DESCRIPTION	PAGE/COMMENTS
SPECIFIC INFORMATION (Boundaries for selected aspects in parentheses)		
ECONOMIC PERFORMANCE (The Löfbergs Group, owners)		
G4-DMA	Governance	13
G4-EC1	Generated and distributed economic value	20
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	25-29
SOURCING AND PROCUREMENT PRINCIPLES (The Löfbergs Group, suppliers)		
G4-DMA	Generated and distributed economic value	26-29
G4-FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards	26
INDIRECT FINANCIAL IMPACT (Supplier, local community)		
G4-DMA	Governance	26-29
G4-EC8	Indirect positive and negative financial effect as a consequence of the business	27-29
ENVIRONMENTAL MATERIAL AND RAW PRODUCTS (The Löfbergs Group, own business)		
G4-DMA	Governance	35-36
G4-EN1	Materials used by weight or volume	36
ENERGY (The Löfbergs Group, own business)		
G4-DMA	Governance	33
G4-EN3	Energy consumption within the organisation	33
EMISSIONS (Supplier, local community)		
G4-DMA	Governance	32
G4-EN15	Direct greenhouse gas emissions (Scope 1)	32
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	32

INDICATOR	DESCRIPTION	PAGE/COMMENTS
WORKING CONDITIONS (The Löfbergs Group, own business)		
OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Governance	41
G4-LA6	Rates of injury, occupational disease, lost days, absenteeism, and work-related fatalities	No serious injuries requiring hospitalisation occurred during the year.
DIVERSITY AND EQUAL OPPORTUNITY (The Löfbergs Group, own business)		
G4-DMA	Governance	14,39
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	39 Gender balance is presented regarding diversity and equal opportunity.
PRODUCT RESPONSIBILITY CUSTOMER HEALTH AND SAFETY (The Löfbergs Group, own business, customers and consumers)		
G4-DMA	Governance	14
G4-FP5	Percentage of production volume manufactured in sites certified for food safety	14
LABELLING OF PRODUCTS, PRODUCT INFORMATION (The Löfbergs Group, own business, customers and consumers)		
G4-DMA	Governance	14,16
G4-PR5	Results of surveys measuring customer satisfaction	16



KOBBS



Peter Larsen
Kaffe



green
cup

PERCOL
EXTRAORDINARY COFFEE

AB
Anders
Löfberg