SUSTAINABILITY AT KOTIPIZZA 2021

OUR SHARED RESPONSIBILITY

KOTIPIZZA HAS SHIFTED ITS FOCUS FROM SAVING THE WORLD TO BEING WITH THE GOOD ONES.

JANUARY 2021 was the first month of Kotipizza's new, three-year strategy period. The core of the strategy is our mission: we are with the good ones. This means that we take care of the people around us, work to minimise our carbon footprint and require our partners to do their bit for sustainability.

We know that making a difference in the world isn't a solo achievement – it's a team effort. That is why working together is particularly important for our future success. We want to be proud of all of our partners, franchisees and employees, and we want them to be proud of us as well.

Our mission of being with the good ones also steers our sustainability actions. Great changes cannot be achieved alone, but together we are strong and effective. The carbon footprint of our food products is decreasing towards the 2030 target of zero, thanks to all parties in the supply chain that are reducing climate emissions in their own operations. Our restaurants offer meaningful work in the best community, as our franchisees actively build a good working atmosphere.

OUR STRATEGY has five cornerstones. These are the customer of the future, the franchisee of the future, the employee of the future, the restaurant of the future and the supply chain of the future. Sustainability actions are needed in all of these areas. For example, we offer advanced business skills training programmes for franchisees of the future and are developing Kotipizza restaurants into even more equal and supportive work communities for the benefit of the employees of the future.

In 2021, staying safe from the COVID-19 pandemic was still a significant part of Kotipizza's sustainability work. We ensured the safety of Kotipizza employees, franchisees and customers,

and at the same time turned our eyes towards the future. We started cooperation with the Finnish wind power producer Ilmatar and completed our carbon footprint calculation, which is an important step on our mission to achieve carbon-neutral food products by 2030.

The following pages contain more information about the above-mentioned actions and other key sustainability projects of the year. Join us to be with the good ones!

ANNA RAHIKAINEN
Sustainability Director

MAKING CHANGES FOR A CARBON-NEUTRAL PIZZA

OUR CLIMATE WORK IS GUIDED BY OUR GOAL OF REDUCING CLIMATE EMISSIONS FROM FOOD PRODUCTS TO ZERO BY 2030.

SOLVING THE climate crisis has emerged as key question regarding the future of the environment and society. As a restaurant operator, we bear our responsibility for the state of the environment, because food production has a huge impact on the environment and human well-being. Globally, it is the third largest burden on the climate, and in Finland, for example, it is responsible for more than half of the emissions that cause eutrophication in the Baltic Sea.

In 2021, we set a clearer, measurable goal for the chain's climate work. Kotipizza is committed to making all its food products carbon-neutral by 2030. This means that the preparation of food, from the production of ingredients to delivery, is organised in such a way that it does not burden the environment. In order to achieve this goal, we carried out a number of projects in the past year for a more climate-friendly pizza.

AT THE start of the year, we switched to renewable electricity in the chain's restaurants. Electricity consumption is one of the most significant sources of emissions in restaurant operations. Even if the appliances are as energy-efficient as possible, the oven needs to be hot to bake pizzas and the toppings must be stored in a sufficiently cold temperature to ensure food safety. Meanwhile, the electricity needs of restaurants are increasing, as we have more and more restaurants around the country making pizza.

In the future, the ovens will be heated with climate-friendly wind power, which generates almost no emissions. Kotipizza built its own wind turbine in the Rasakangas wind farm in Kurikka, Southern Ostrobothnia. The chain cooperates with Finnish energy company Ilmatar, which has wind farms across Finland. The investment in the new wind turbine promotes the production

of renewable energy in Finland, creates jobs and increases local tax revenue.

The wind turbine generates enough electricity to meet the needs of the whole chain. Kurikka has good wind conditions, sufficient distance from any populated area and the possibility to align wind power production with other land use in the area. The environmental impacts of the construction and maintenance of the plant and the eventual reuse and recycling of its elements have been taken into account comprehensively.

The plant will start generating electricity in early 2022 after it has been completed and tested. Until then, Kotipizza restaurants will receive their wind-powered electricity from Ilmatar's existing wind farms. The restaurants will switch to wind power one by one, as they update their electricity contracts. At the end of 2021, around 70 chain restaurants used wind power. First, wind power will be used in Kotipizza's traditional brick-and-mortar restaurants. Some shop-in-shop Kotipizza restaurants that operate in service stations also use wind power.

The use of wind power in restaurants brings pizzas one step closer to carbon neutrality. Based on current consumption, the chain's annual climate emissions will be reduced by 1,200 tonnes of carbon dioxide equivalent. In the future, emissions could be reduced by up to 4,000 tonnes of carbon dioxide equivalent.

DURING THE year, we completed, for the most part, the carbon footprint calculation of Kotipizza's food products. The aim was to find out how much greenhouse gas emissions our food production generates.

The calculation covered all ingredients used by Kotipizza, their transport, processing and packaging, emissions from the production of food products, such as energy and water consumption in restaurants, an estimate of waste generated in restaurants and emissions from restaurant cleaning, and the effect of the pizza box. We also calculated the average emissions from pizza delivery and an estimate of how customers transport the pizzas they pick up. We used the international Greenhouse Gas Protocol's Product Life Cycle Accounting and Reporting Standard as the starting point for the calculation and its specification. The calculation is based on the figures for 2020.

The pizza-specific calculation was based on the ingredients listed in Kotipizza's recipes. Some of the emission factors for the ingredients – the figures representing the ratio between the emissions from the use of the ingredients and the amount of ingredients – are based on data reported by the ingredient suppliers. Where this data was not available, data from reliable public sources, such as scientific studies, was used. The information will be updated to reflect as closely as possible the current situation and the actual ingredients used in restaurants.

The aim is to publish the results of the carbon footprint calculation in 2022. The results are a good way to communicate the carbon footprint of the products to customers. The chain is also planning to add climate-based labels to pizzas and rolls on the Kotipizza menu, which will make it easier for customers to make climate-friendly choices.

Thanks to the calculation, Kotipizza can focus its sustainability efforts on measures that have the biggest environmental impact. The calculation helps us to identify ways of preventing and reducing the emissions of food products and start implementing new kinds of projects to reduce our carbon footprint. These measures will serve as a systematic roadmap that will guide our climate work towards the 2030 target. We will continue to work on the road map and communicate about

it to stakeholders in the coming year. We will also further refine the calculation and related data collection practices.

IN ADDITION to the introduction of wind power and the calculation of the carbon footprint of food products, the restaurants reduced their emissions in many other areas, as well. In 2021, we continued to source domestic and sustainably produced ingredients, prevent food waste and develop more environmentally friendly packaging. We introduced new vegetarian products, such as Ylämummo Seitan and Huuhkana Fava Bean, which include plant-based protein as toppings.

In carbon footprint reduction, every little bit helps. For example, we reduced our annual climate emissions by nearly 55,000 kilograms of carbon dioxide equivalent by selling surplus pizzas. Similarly, by choosing to use recycled materials in work clothes we avoided causing emissions by over 2,500 kilograms of carbon dioxide equivalent. The total sum of these figures corresponds to the emission load that would result from driving over 400,000 kilometres with fossil fuels.

Despite ambitious emission reduction measures, restaurant operations and food production inevitably produce some emissions. When they have been reduced to a minimum, the rest of the climate emissions will be offset by investing in cooperation projects that remove carbon from the atmosphere. At this stage, however, the focus of our work is strongly on reducing emissions, not offsetting them.

Climate sustainability is a long and complex journey that also involves Kotipizza's customers and partners.

INVOLVING THE ENTIRE SUPPLY CHAIN

In order to achieve our climate targets, we need all our partners to cooperate, in particular, the suppliers of the ingredients. For example, the dairy and food company Valio is one of the pioneers of reducing food-related emissions in Finland. Valio delivers all the grated cheese used in Kotipizzas. The 300 Kotipizza restaurants use more than 1.3 million kilograms of cheese each year. Although producing the cheese locally and preferring short transport distances reduce some of the emissions, dairy production is still a burden on the environment.

However, cheese is one of the cornerstones of a delicious pizza, and few pizza lovers are ready to give it up. Therefore, the shared objective of Kotipizza and Valio is to make the grated cheese used by Kotipizza carbon-neutral. Carbon sink farming is one of the means of reducing emissions from dairy production. It means sequestering carbon from the air to fields. So far, 300 dairy farms have received training in carbon sink farming.

Valio is also building circular economy solutions to produce biogas from dairy farm manure, which can be used as fuel for heavy transport. There are already 25 dairy farms in Finland that have their own biogas plant. In addition to energy, cow manure contains many valuable nutrients that are vital for plants, such as nitrogen and phosphorus. Valio develops fertilisers from these nutrients.

In addition, Valio develops solutions that reduce emissions by investing in animal welfare, improving feed utilisation and developing new feeding innovations that reduce the formation of methane in cow rumen.

SUSTAINABILITY IN FIGURES

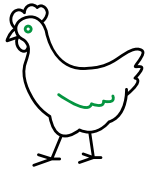
WE RESCUED 22,000 PIZZAS

FROM GOING TO WASTE THROUGH RESQ CLUB

75% OF OUR FRANCHISEES WOULD RECOMMEND

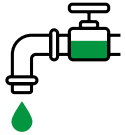
KOTIPIZZA FRANCHISING TO INTERESTED PARTIES

NEARLY 80% OF OUR INGREDIENTS



WERE OF DOMESTIC ORIGIN

WE SAVED 3.7 MILLION LITRES OF WATER

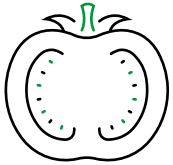


BY USING WORK CLOTHES MADE FROM RECYCLED MATERIALS

WE TRAINED ALMOST 1,300 KOTIPIZZA FRANCHISEES

AND EMPLOYEES IN RESTAURANT OPERATIONS

WE OFFERED 5 NEW OR RENEWED VEGETARIAN OR VEGAN PRODUCTS



ON THE MENU

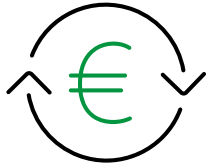
THE NEW FAVA BEAN WAS SELECTED AS A PIZZA OR ROLL TOPPING 31,443 TIMES IN BRICK-AND-MORTAR RESTAURANTS

BRICK-AND-MORTAR RESTAURANTS DELIVERED 6 MILLION REGULAR-SIZED PIZZAS IN FSC-CERTIFIED PIZZA BOXES TO CUSTOMERS

WE EMPLOYED MORE THAN

2,000 PEOPLE

THE KOTIPIZZA CHAIN PAID MORE THAN EUR 65 MILLION



IN TAXES TO FINLAND

SUSTAINABLE PACKAGING, BETTER PIZZAS

THE KOTIPIZZA pizza box was renewed in 2021. The change goes deeper than the renewed illustration. We developed the material, structure and features of the box to meet the needs from the increasing popularity of pickup and delivery orders. The pizza is delivered to the customer hot and in excellent condition, inside more sustainable packaging.

The interior surface of the pizza box is made of corrugated board from hardwood pulp. The material makes the box lighter, stiffer and more durable. The thicker cardboard ensures that the box stays in shape until it reaches its destination. This reduces the need to use plastic brackets in the transport boxes.

THE BOX is designed and produced in Finland. The fully recyclable packaging also has a FSC certification, which means that the wood fibre used as its raw material comes from responsibly managed forests. The Forest Stewardship Council (FSC) is an international, non-profit and transparent member organisation that is committed to promoting environmentally responsible, socially beneficial and economically profitable forest management through certification.

The renewed illustration makes sustainability information available to consumers. The pizza box lid features a QR code that gives access to added reality with an imaginary Kotipizza restaurant where the customer can learn about sustainability, for example, in the sourcing of ingredients and the functionality of the kitchen.

DURING 2021, we also invested in developing the packaging by participating in the 4everPack circular economy project by VTT Technical Research Centre of Finland and the University of Vaasa. The project examines various solutions for the reuse of consumer packaging in order to reduce its environmental impact and provides objective information on the advantages and disadvantages of reuse. One of the areas under examination is the possibility to reuse pizza boxes. The project involves a wide range of domestic and international companies and organisations. The work will continue until 2023.

FUNCTIONAL KITCHEN SUPPORTS WELL-BEING AT WORK

IN 2021, we launched a kitchen concept renewal project, with the aim of creating more efficient, high-quality and sustainable kitchens. The aim of the project is to ensure that the working methods at Kotipizza restaurants are as ergonomic, safe and energy-efficient as possible.

We want to improve the efficiency of kitchen space and kitchen processes at all stages, from baking to packaging. This means that the employees do not have to reach excessively or take extra steps. In a functional kitchen, we can also ensure food safety more reliably. Storage facilities built according to the new kitchen concept allow for a better circulation of ingredients. In other words, the ingredients are always used in the order in which they were brought into storage (First In, First Out principle).

AS PART of the new kitchen concept, the maintenance practices of kitchen appliances are also renewed. This guarantees a longer useful life for the appliances and even higher-quality pizzas for customers, for example, when the well-maintained oven bakes the pizza more evenly. In addition, the concept includes waste collection in accordance with the amended Waste Act. The selected waste containers fit the kitchen space better and support ergonomics. They also harmonise and streamline recycling at restaurants.

WORKING CONDITIONS are another focus area of the renewal. For example, electric desks, roller trays placed under waste bins and anti-fatigue floor mats significantly improve ergonomics. We have also improved the functionality of social premises.

At the same time, we have enhanced the monitoring of food waste by deploying new stock management software. One of the purposes of the software is to draw attention to how much food waste the restaurants generate and how much it costs them. Concrete information on the amount and cost of food waste will encourage the restaurants to reduce waste further. At the end of 2021, approximately half of Kotipizza's brick-and-mortar restaurants used the new stock management software. The aim is to increase this percentage to 100%. The ResQ app is another tool for preventing food waste. The app allows restaurants to sell surplus pizzas at a discounted price.

KOTIPIZZAS AND VEGETARIAN FOOD FROM FINLAND

FINNISH INGREDIENTS are a matter of pride for Kotipizza. In 2021, our domesticity rate commitment increased from 50% to 70%. This means that at least 70 per cent of the ingredients of the products sold in the Kotipizza chain are of Finnish origin. At the moment, our rate of domestic ingredients is almost 80%. This figure is based on the sales of chain products in euros and purchases of ingredients in euros. The figure includes all Kotipizza food and drink products and food ingredients. For example, all our meat is 100% Finnish.

THE CHAIN'S product development cooperates continuously with suppliers to find high-quality and responsibly produced domestic ingredients. For example, the plant-based protein curry-flavoured fava bean was developed in cooperation with Tarhurinpapu. The high protein content of fava beans satisfies hunger, and the fermented beans are easier to digest. The curry-flavoured fava bean is used, for example, in the Fava Bean Roll and in the popular vegetable version of the seasonal Huuhkana pizza. It is also available as a topping of choice on a Perfetta pizza.

2021 WAS a triumph for vegetarian options. During the year, we launched a total of five new vegetarian or vegan products using domestic ingredients through various marketing campaigns. The selection included El Nacho Vege, vegetarian versions of Ylämummo and Huuhkana, the renewed Mushroom Master and Fava Bean Roll. We can and will do even more to offer diverse vegetable and vegan products. Vegetarian options will be an important focus area of our product development also in the coming years.

THE DOMESTIC origin of food is also part of our climate work. For example, shorter transport distances produce fewer emissions, and Finnish food production has a strong focus on sustainable production methods.

SUPPLIER CODE OF CONDUCT SUPPORTS A SUSTAINABLE VALUE CHAIN

IN 2021, Kotipizza adopted an updated Supplier Code of Conduct for suppliers and other partners. Its purpose is to promote the realisation of good business practices, human rights, labour legislation, environmental protection and sustainable development in the Kotipizza value chain. We comply with the same ethical principles in our own work. The Code was created as a practical tool in guiding the actions and decisions of our partners.

THE SUPPLIER Code of Conduct includes both minimum requirements and recommended actions. We require all our partners to commit to and comply with the following mandatory requirements in all their activities. The recommendations are not mandatory, but they can help partners to develop their activities to make them more sustainable. We use them to encourage partners, for example, to operate in a carbon-neutral manner and to assess the human rights impact of their work in more detail.

KOTIPIZZA HAS a variety of different partners. We cooperate with small, local farmers as well as large, international food enterprises. Our partners also include a wind power company that produces electricity used by the restaurants and a logistics company that transports ingredients and other supplies to our kitchens across Finland. Each partner develops its sustainability from its own starting point. We want to support this as far as possible. This is why our revised Supplier Code of Conduct also provides advice on the different stages and areas of sustainability work, such as tips for creating a more satisfied work community and initiating climate action.

WE EXPECT our partners to act openly and to engage in an open dialogue with us on the difficulties in their work. This allows us to solve problems and improve operations continuously through cooperation. We can achieve the best results and build sustainable and functional value chains together.

THE SUPPLIER Code of Conduct is available on the Kotipizza Group website at kotipizzagroup.com as part of the description of our sustainability partners.

KOTIPIZZA'S BASIC REQUIREMENTS FOR SUPPLIERS:

- Comply with legislation and regulations
- Promote equality and human rights
- Provide fair working conditions
- Ensure occupational health and safety
- Offer safe products and services
- Protect the environment
- Take care of animals
- Follow ethical business practices
- Endorse Kotipizza's Supplier Code of Conduct
- Cherish sustainable development

DIVERSITY IN THE SPOTLIGHT

THE KOTIPIZZA community comprises nearly 2,000 franchisees and employees. Our restaurants employ people from a wide variety of backgrounds. We represent many different nationalities, age groups and educational backgrounds. Each Kotipizza franchisee and employee has their own unique experience and professional skills. The emphasis of the chain culture is on allowing everyone to be who they are, regardless of their background. This is the basis for equality and well-being at work.

This past year, we wanted to highlight stories that reflect the diversity of the Kotipizza franchisees and employees. We shared stories of successful female franchisees who serve as role models, especially for their younger colleagues, and about young female employees who have actively developed their skills and the activities of their restaurant team. On the International Day of the Girl, we reminded people about the discrimination that girls face around the world due to their age and gender. We also gave voice to female restaurant managers, who encouraged girls

to pursue the career of their choice.

During the year, we also gave attention to the large number of distinguished Kotipizza franchisees and employees who come from countries other than Finland. For example, the brothers Ibrahim Mizai and Javad Mirzaee from Tampere won the Kotipizza chain's Newcomer of the Year award. The successful brothers set themselves the goal of managing several Kotipizza restaurants in Pirkanmaa and Southwest Finland in the coming years. Rahmanzadah Hashmatullah employs more than 50 people in his restaurant business and runs six Kotipizza restaurants in the Helsinki Metropolitan Area. As part of its sustainability actions, Kotipizza invested in training, with a special focus on supporting franchisees from immigrant backgrounds. Chain franchising is a low-threshold way to integrate into the new home country and participate in Finnish business life.

We published stories about diversity, for example, in the Quattro Stagioni customer magazine and on our social media channels. These channels reach thousands of Finns every day. The stories enable us to participate in creating a more tolerant and open working life for everyone. Diversity makes work more meaningful, and not just in pizzerias.

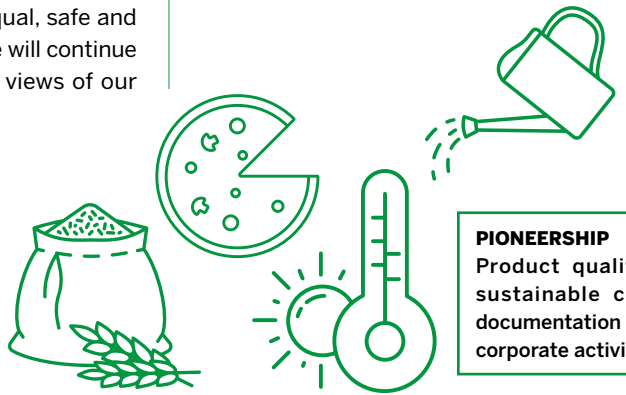
SUSTAINABILITY THEMES

WE STARTED UPDATING OUR SUSTAINABILITY PROGRAMME DURING THE YEAR.

IN 2019, we surveyed the views of Kotipizza's key stakeholders regarding the aspects through which sustainability is and must be realised in the operations of a pizza chain. Based on the findings, the chain's current sustainability programme was created. Its themes link closely to the UN Sustainable Development Goals.

In 2021, we stepped up our sustainability work in accordance with the programme, as the effects of the COVID-19 pandemic eased slightly. We implemented new projects, such as carbon footprint calculations for food products and the introduction of wind power in restaurants. We were finally able to fully implement the projects, as we were able to meet our stakeholders in person, especially towards the end of the year, while still observing the necessary safety measures.

During the year, we also paved the way for developing our sustainability programme. We recognise the need to complement and refine our sustainability themes in accordance with the wishes of our stakeholders. We started the development process by thinking which themes have become more relevant, especially for customers and Kotipizza franchisees and employees. These include measures that make Kotipizza restaurants even more equal, safe and supportive as work communities. We will continue the upgrading by mapping out the views of our stakeholders more systematically and studying new trends in corporate responsibility. We can use the data we collect to focus our attention and measures more effectively, not only to minimise our footprint, but also to increase our handprint in society.



CLIMATE AND ENVIRONMENT
Emissions and carbon footprint, recycling, food waste, circular economy, biodiversity

PIONEERSHIP
Product quality, tools for sustainable consumption, documentation and reporting, corporate activism

SUSTAINABLE SUPPLY CHAIN
Safe and sustainable ingredients, local food, sustainable and audited production, transparency and knowledge of origin, human rights, sustainable products and product development, nutritional content and impact on well-being

GREAT WORKPLACE AND CORPORATE CULTURE
Ethical business, compliance and equality, developing franchisees, employer image and purpose, occupational health, safety and well-being, better leadership and franchising, employment

CREATING VALUE WITH THE GOOD ONES

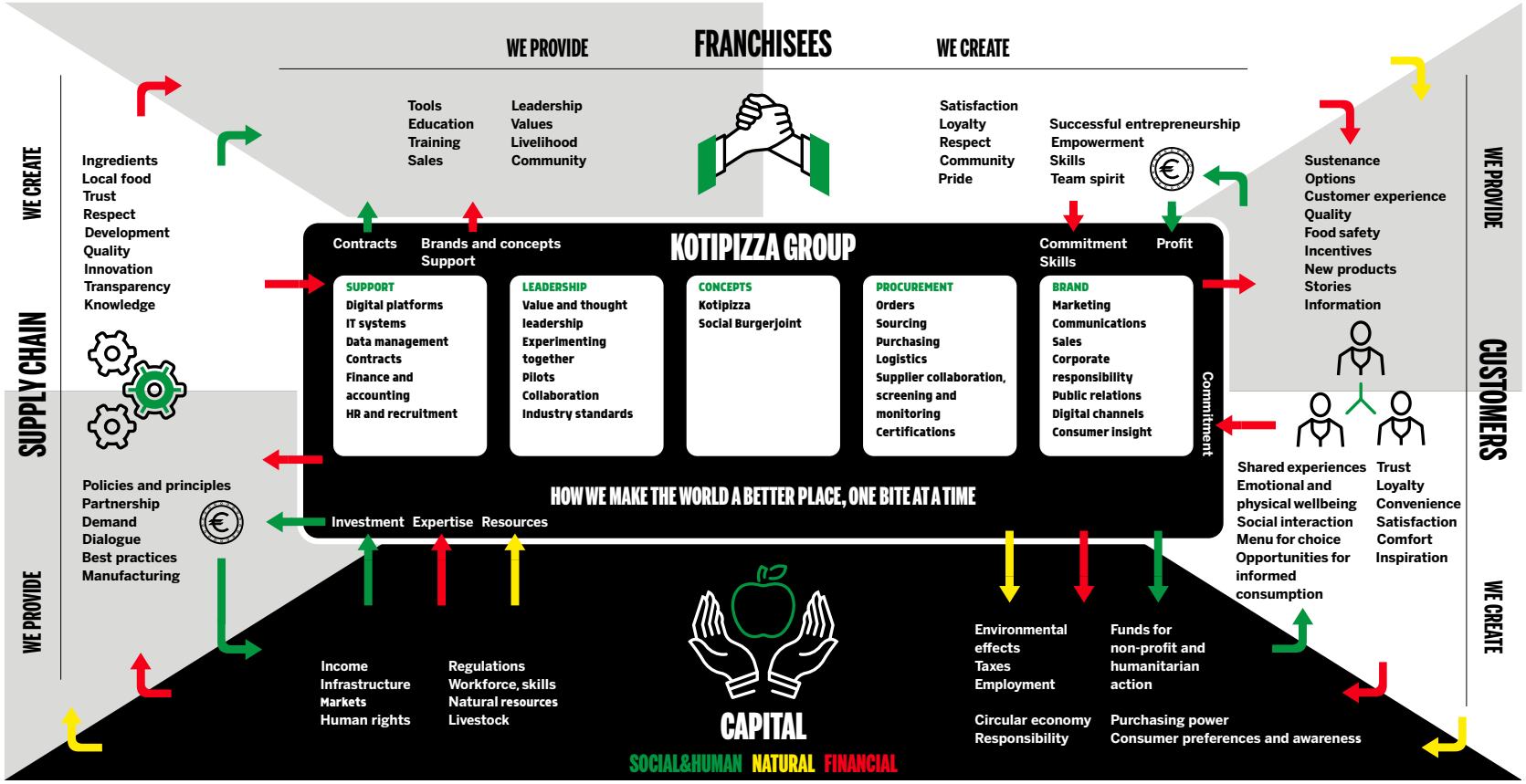
RESPONSIBLE COOPERATION BRINGS MANY BENEFITS.

IN ACCORDANCE with our mission, We're With the Good Ones, we cooperate closely with different stakeholders. These include our customers, suppliers, Kotipizza franchisees and restaurant employees.

OUR SUSTAINABILITY work is guided by our values. This means that we invest in measures that both bring financial benefit and create value for society and the environment. The value creation is based on cooperation and the utilisation of natural resources as sustainably as possible.

WE BUILT new networks and deepened our cooperation with our stakeholders in 2021. Without innovative ingredient suppliers that are committed to sustainability, Kotipizza's efforts to reduce climate emissions would be practically impossible. The motivation and participation of Kotipizza franchisees are prerequisites for the sustainability actions of our restaurants. We have a plan that is based on diverse cooperation and that will make Kotipizza's food products carbon-neutral by 2030.

SUSTAINABILITY CREATES benefits and value that are evident both for Kotipizza and our stakeholders. The summary on the next page illustrates the value that our sustainability actions create.


WE PROVIDE
FRANCHISEES
WE CREATE
Tools
Education
Training
Sales
Leadership
Values
Livelihood
Community
Satisfaction
Loyalty
Respect
Community
Pride
Successful entrepreneurship
Empowerment
Skills
Team spirit
WE CREATE
SUPPLY CHAIN
Ingredients
Local food
Trust
Respect
Development
Quality
Innovation
Transparency
Knowledge
Contracts
Brands and concepts
Support
KOTIPIZZA GROUP
Commitment
Skills
Profit
SUPPORT
Digital platforms
IT systems
Data management
Contracts
Finance and accounting
HR and recruitment
LEADERSHIP
Value and thought leadership
Experimenting together
Pilots
Collaboration
Industry standards
CONCEPTS
Kotipizza
Social Burgerjoint
PROCUREMENT
Orders
Sourcing
Purchasing
Logistics
Supplier collaboration, screening and monitoring
Certifications
BRAND
Marketing
Communications
Sales
Corporate responsibility
Public relations
Digital channels
Consumer insight
Commitment
HOW WE MAKE THE WORLD A BETTER PLACE, ONE BITE AT A TIME
Policies and principles
Partnership
Demand
Dialogue
Best practices
Manufacturing
Investment
Expertise
Resources
WE PROVIDE
Sustenance
Options
Customer experience
Quality
Food safety
Incentives
New products
Stories
Information
WE PROVIDE
CUSTOMERS
Shared experiences
Emotional and physical wellbeing
Social interaction
Menu for choice
Opportunities for informed consumption
Trust
Loyalty
Convenience
Satisfaction
Comfort
Inspiration
WE CREATE
Income
Infrastructure
Markets
Human rights
Regulations
Workforce, skills
Natural resources
Livestock
CAPITAL
SOCIAL&HUMAN
NATURAL
FINANCIAL
Environmental effects
Taxes
Employment
Circular economy
Responsibility
Funds for non-profit and humanitarian action
Purchasing power
Consumer preferences and awareness

Founded in 1987, Kotipizza is the largest pizza chain in the Nordic countries and one of the most well-known restaurant brands in Finland. The chain consists of about 300 restaurants managed by nearly 300 independent franchisees around Finland. The restaurants are the workplace of more than 2000 Kotipizza employees from bakers to drivers. Our mission is to be with the good ones.

Kotipizza Oyj 2021

sustainability@kotipizzagroup.com

Learn more about Kotipizza's sustainability work on our website at kotipizzagroup.com.

COVER PICTURE: ILMATAR