



Sustainability Report 2016

OUR TREES AS TREASURES. YOUR TREES AS TREASURES.



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Foreword



Guy Chambers
Group Managing Director
James Finlay Limited

Today's brand-owners in the food and beverage industry face serious challenges, one of which is how to source raw materials in a sustainable way. Consumers' sensitivity on this issue has increased significantly in the last two decades, with awareness moving from the margins to the mainstream.

The rapid growth of social media over the last five years has amplified the issue further. Consumers have more information available today at their fingertips than at any time in history. Frances Cairncross, an economist and former editor of *The Economist*, has called this phenomenon 'the death of distance'. The ubiquity of social media also seems to be leading towards both a flood of information and an increasing polarisation of extreme viewpoints that can cut through the 'noise'. In the food and beverage industry, we are seeing a polarisation of brands between those that can win consumer trust and those that can't. Ironically, the incumbent major brand-owners are more susceptible to scrutiny because of their size. Even the validity of 'trust marks' such as Fairtrade and Rainforest Alliance has come under scrutiny. And many consumers seem more willing to support smaller, artisanal brand-owners, giving them the benefit of doubt that small means good.

But both large and small brand-owners face challenges. For the larger incumbent brand-owners, there is pressure to 'back-fill' the supply chains of existing products with sustainably sourced raw materials that can survive scrutiny from increasingly savvy consumers. For the smaller, emerging 'artisanal' brand-owners, the challenge is how to scale up to meet increasing consumer demand when their original business model was designed to produce a 'niche' product. Whilst the scale of these problems is becoming increasingly clear, workable solutions are less so.

Ultimately, consumers are looking for brands that are sustainably sourced and trusted, and that provide variety to meet their different needs.

Furthermore, in many parts of the world, there is an increasing trend towards healthier, lower-sugar products. This will place increasing requirements on the flavour profile of the other ingredients, which will become more prominent when less sugar is used. This will have implications on the quality and formats of the ingredients used.

Finlays is well-placed to help both existing and emerging brand-owners solve this problem. Finlays has a unique and integrated footprint in the world of beverages. Unlike other companies, our supply chains span every sector of the tea value chain and we operate in almost every continent. This is no easy task. But it is what differentiates us from other companies. And it is what our customers increasingly value. In coffee (in the US and UK) and botanicals (in China), Finlays also provides brand-owners with value added services in extraction and packing. Put simply, Finlays helps to bring the best from bush to cup for brand-owners.

Turning to our current business, let me share a brief overview of our financial results. 2016 finished broadly in line with our expectations. We saw continued growth in global revenue and earnings, partially impacted by foreign currency movements. Our Extracts business saw steady growth in contribution, with strong growth in coffee extracts in the US offset by market weakness in tea extracts in China, due to a slowdown in the economy. Our tea estates performed in line with expectations. Our global tea sourcing business showed good growth. However, our tea packing business in the UK faced continued pressure from declining black tea sales and oversupply of packers. At the end of the year, management announced plans to restructure our packing operation in the UK. The Finlays branch office in Pakistan (opened in 1890) was closed in October. Finally, in December 2016, construction work began on a new pilot plant for liquid tea concentrate in Rhode Island, USA which will be completed in late 2017.

Finally, I would like to thank all our customers, supply partners and employees. Finlays is a unique company in many ways, not least of which is the passion that we all share 'to bring the best from bush to cup'.



Michael Pennant-Jones
 Group Head of Sustainability
 James Finlay Ltd

During 2016 a number of large projects came to fruition.

In Kenya we have continued our work with the Integrated Sustainable Landscapes Project (ISLA), that is working to preserve and enhance the South West Mau forest complex. If we do not arrest deforestation, the impact in Kericho will mean that the region will lose its climate regulator and this will impact our ability to sustain agriculture in Kericho. The factors behind degradation are multiple and often interconnected; the project seeks to identify root causes. These differ from other multi-stakeholder projects, in that these are driven by local stakeholders, on the ground.

In the last year the project has replanted a further 4.5 Ha of forest as part of the 'no regrets' approach of kick start initiatives. The group at the same time has been analysing the multiplicity of reasons for continued degradation of the Mau and identifying the interventions required. In addition we are still continuing in our support of the crucial work of the Bongo Trust and Fomawa.

Over in Sri Lanka we undertook a pilot project on Shawlands Estate for the community to name their village. This is a positive step for the Sri Lankan communities within and around our estates, to be empowered to take further ownership of their villages and move further into independent livelihoods. The scale of the work on this initiative has been significant, involving multistakeholders from the community, local and national

government etc. and has taken a year to bring to fruition. It has been met with great enthusiasm by the community and we aim to role this out to more villages in 2017. Further information on this can be found on page 14.

Further developments this year in Sri Lanka include the planning and installation of the largest roof mounted solar array in Sri Lanka at our Cold Storage facility in Welisera, Colombo. Completed in February 2017, it is designed to generate 27% of the energy requirements of the Cold Storage facility.

Work also begun on a number of other projects across the Group. After a lot of research and work by our in house team, Extracts started construction of a new effluent treatment plant for Saosa in Kenya which will be commissioned early 2017. Tea Estates Sri Lanka have set up a Field Innovation Group (FIG) to bring together the managers with the best agronomy skills, to standardise best practice and research and trial new growing methods. We have also commissioned a biodiversity study for our Ratnapura estates in Sri Lanka and began steps to facilitate a study in Argentina.

We are in the initial stages of putting together a Sustainable Landscapes project proposal for Argentina (see page 20 and 21).

World Environment day was celebrated Group wide for the first time, with local initiatives and activities taking place on the day. This year was the first year we ran a competition around the day.

The unglamorous but essential side of sustainability is the collection and analysis of data relating to the criteria we use to measure our performance. Not only is this complex, but the channels used to gather this information means that there are often multiple levels of people to go through to verify one particular aspect of our performance. In 2016 we introduced a new data gathering tool across the businesses and as a result of which data collection is now in the hands of those who actually do the work.

Finlays fast facts

73m kg

Produces 73 million kg per annum from 13,000 hectares of land dedicated to tea growing in Kenya, Sri Lanka and Argentina.

Tea

11.2m kg

Manufactures and sells over 11.2 million kg of tea extracts per annum.



2.1m kg

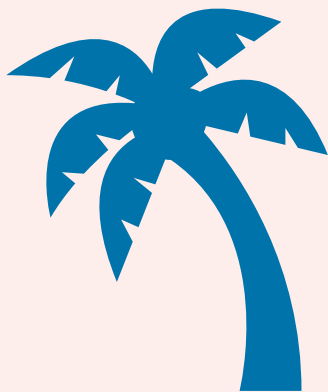
Manufactures and sells 2.1 million kg of decaffeinated tea and 1.6 million kg of tea aroma per annum.

90.5m kg

Sources 90.5 million kg of tea from offices in the UK, Kenya, Sri Lanka, UAE, Malawi, Vietnam, Indonesia, China and the USA.

10m kg

Blends and packs over 10 million kg of tea per annum.



Coconuts

834,000 nuts

Over 834,000 coconuts produced per annum in Sri Lanka



Flowers

179m stems

108 hectares in Kenya, producing over 179 million stems per annum for the UK and Continental Europe



Cold Storage

82,000m³
Operating a 82,000m³
facility in Sri Lanka



Minor Crops

1.1m kg
Produces over 1.1 million kg of
ancillary crops in Sri Lanka such
as cinnamon, pepper, cocoa.

7.6m kg
Manufactures over
7.6 million kg and sells
7.8 million kg of coffee
extract per annum.



Coffee

4.9m kg
Blends and packs over
4.9 million kg of coffee
per annum.



Timber

5,000 hectares
5,000 hectares in Kenya, Sri Lanka
and Argentina producing 163,000
sustainable tonnes of Eucalyptus,
Pine, Cyprus.



Rubber

2,000 hectares
Over 2,000 hectares in
Sri Lanka producing over
1.2 million Kgs of rubber latex,
per annum.

Group structure

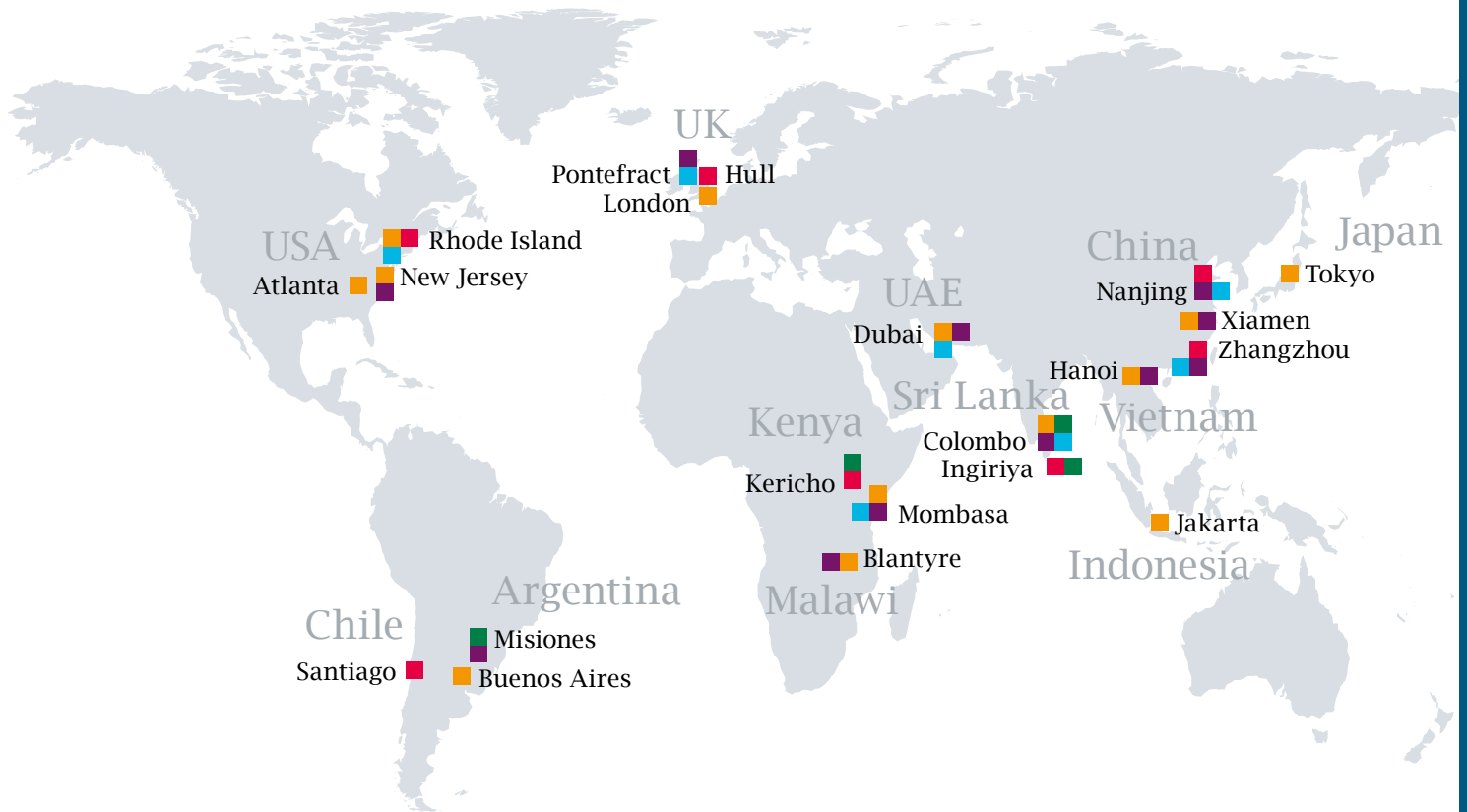
The Group comprises eight businesses encompassing Tea Estates, Leaf Tea Sourcing and Supply, Tea Extracts and Ingredients, Coffee Extracts, Beverage Packing, Flowers, Logistics and Services and Forestry and Rubber. Each business has a number of business units operating in various countries around the world.



Finlays head office is located at Swire House, 59 Buckingham Gate, London SW1E 6AJ. We also have tea sourcing and supply offices all over the world.

(GRI: G4-3, G4-5, G4-9)

Global network



- Trading/sales offices
- Manufacturing sites
- Tea estates
- Blending
- Packing facilities

We employ over 26,000 employees globally.
 Our primary markets are in the UK, USA and Asia.
 Total Net sales: £354,391,000
 Total capitalisation broken down in terms of
 debt & equity: Equity £351,114,000; Debt £42,907,000

(GRI: G4-3, G4-5, G4-6, G4-8, G4-9, G4-12)

Delivering a sustainable future



In 2008, working with our partners, Forum for the Future, we developed a long-term and stretching sustainable development strategy for Finlays. We explored the major trends and uncertainties that the company could be facing over the coming years and how to become a more resilient and sustainable company. From this process we identified a set of five high level group sustainability commitments by which we now guide our actions and evaluate our success:

Business

We will address social, political and environmental issues by demonstrating that it is more financially rewarding to be sustainable.

- Undertake regular business performance, taking action to increase the long term sustainability of our business portfolio over time;
- Explore new business opportunities in keeping with our sustainability goals;
- Maintain sufficient diversity in both our markets and products to ensure resilience;
- Make the true cost of production (economic, environmental and social) clear and ensure, over time, that it is reflected in the price of the product;
- Communicate openly with our supply chain, the local community, pressure groups and the wider public about the case for sustainable development; and
- Behave with honesty and integrity.

Environment

We aim to have 'zero net impact' as our minimum environmental standard. Overall we commit to making a positive contribution to environmental recovery and resilience.

- Develop a comprehensive understanding of the likely impact of climate change and implement appropriate adaptation measures for our operations and the communities in which we operate;
- Undertake to be carbon restorative and minimise emission of other greenhouse gases;
- Continuously improve our resource management, practice excellence in our management of water resources and reduce our waste generation, reduce and eliminate the use and release of pollutants wherever possible;
- Lead the way in community watershed management
- Protect and enhance biodiversity in the countries in which we operate
- Demonstrate and promote sustainable pest and disease management, eliminating any negative impact on the environment;
- Maintain soil health through sustainable agricultural practices and avoid soil degradation by taking measures to prevent contamination and erosion; and
- Demonstrate excellence in forestry management.

People

We strive to make Finlays an enjoyable and rewarding place to work, an organisation that nurtures and develops its people for the benefit of the individual, the company, and the community.

- Employ our workforce according to universal international standards and treat employees fairly, with dignity and respect;
- Protect the health of our workforce and promote healthier lifestyles;
- Ensure that all employees, and their resident dependents, have access to food and shelter, sanitation, clean water and primary healthcare;
- Develop our employees' life and business skills and empower all our employees to make their voices heard through democratic worker representative bodies;
- Demonstrate leadership in equal opportunity employment, thriving as an ethnically and culturally diverse company; encourage and facilitate female representation and the contribution of women to the business;
- Reward our employees for achieving the company's business objectives; and
- Educate our employees on the values and principles of sustainable development.



Energy

Continuously improve our resource management



Water

Continuously improve our resource management



People

To make Finlays a rewarding and enjoyable place to work



Waste

Continuously improve our resource management and reduce our waste generation



Carbon

Undertake to be carbon restorative and minimise emissions of other greenhouse gases



Economic

Demonstrate that it is more financially rewarding to be sustainable

Communities and partners

We will take an active leadership role in dealing with sustainability issues, and share our knowledge for the benefit of our suppliers, communities and society in general.

- A collaborative approach to addressing sustainability challenges and policy, engaging with growers, suppliers, customers, government, NGOs, union;
- Adopt a leadership role in supplier and smallholder development; demonstrating and providing best practice for our suppliers in crop selection, sustainable farming techniques, production processes and environmental management; and
- Make sure we become a catalyst for positive change in the communities we serve.

Products

We will develop and provide sustainable products and services that contribute positively to the health and well-being of society.

- Reduce the lifecycle impact of each of our products and ensure sustainability is built into our New Product Development processes;
- Provide research and development capability exploring innovative, sustainable processes and products;
- Deploy sustainable processing technologies to increase product efficiency and competitiveness;
- Package our products in the most sustainable way possible using sustainable packaging innovation;
- Transport our goods in the most efficient and sustainable manner possible; and
- Be proactive in supporting an equitable and ethical trading environment for our products.

The Group GRI Indicators have been chosen to complement our sustainable development strategy. Group Indicators reported against are: EN3, EN4, EN8, EN10, EN15, EN16, EN23 and LA6. The report is 'in accordance' with the GRI-G4 Guidelines - Core.



Scope of report

The report covers all the main units of Finlays. Changes made to the reporting structure of the Group in 2016 are reflected in this report as follows:

There is one exclusion from the numbers:

- The tea trading offices in Dubai, Indonesia, Vietnam and Malawi only partially report Carbon scope 3 and Health and Safety, given the small size of these offices.
- Our partners in instant tea manufacture Tres Montes Lucchetti (Chile) is included in relation to sales numbers only.

Damin International (China) is included only in respect of sales and production figures. Damin International will begin reporting detailed sustainability information in 2017.

(GRI: G4-28, 29, 30, 31)

Casa Fuentes, in Argentina, is now fully reporting performance against all objectives.

The report records performance against two sets of objectives:

Finlays group indicators, which are those that apply to all our businesses and against local objectives deemed to be important by individual business units.

Reporting period

The report is for the calendar year 2016. Annual reports have been produced since 2009.

Our methodology uses the indicators included in the Global Reporting Initiative (GRI) guidelines with carbon measurement based on WRI/WBCSD GHG protocols.

If there are any queries about this report please contact us at sustainability@finlays.net or write to:

Sustainability,
James Finlay Limited,
Swire House,
59, Buckingham Gate,
London, SW1E 6AJ.



Management approach to sustainability

We are committed to a holistic approach to sustainability, which is driven by the senior management team of each business, supported and guided by Head Office.

Each business faces different challenges depending on its location, products or stakeholders. Head Office provides oversight, facilitation and guidance. In addition to the universal indicators of Carbon, Waste, Energy, Water and Health and Safety, each business prioritises objectives materially relevant to their operations.

Sustainability objectives are aligned with business objectives and owned by the relevant function with clear responsibilities and measurable targets. This is backed up by accountability and transparency through public reporting of performance. Each business head has Sustainability KPIs built into their performance.

The Group has many experts in energy, agricultural practices, environmental management and we aim to use their knowledge across the Group.



Historically tea estates, in several parts of the world, have housed employees and their dependants within their estate boundaries. In the Sri Lankan plantation industry, employee housing was traditionally seen as the responsibility of management.

Two decades ago Tea Estates Sri Lanka, like other plantation companies, returned the housing within its plantations to the residents. As a result they have inherited a contingent of skilled employees and their dependents residing within their operational boundaries.

Conventional employee housing in the estate sector consist of either single barrack type or double barrack type housing units. Housing areas were called “lines” and were identified as part of the tea estate. Many families live on the estates with the lines becoming family homes for generations although today many family members work in other sectors outside the tea industry. In most cases residents on tea estates still receive their official letters and all other correspondence through the estate office and therefore their identity is linked to the estate as a tea worker of the company.

Over the last seven years, as part of our village empowerment programme we have given tenants the opportunity to take ownership of their housing. This has meant them managing waste,

water and taking responsibility for the material improvement of their homes. In 2016 we took this plan to the next level.

In a bid to further empower villages, Shawlands in the Passara region, embarked on a pilot project to rename a set of 64 housing units. The aim was to encourage residents to take ownership of their ‘lines’ as their village thus increasing morale, ownership and pride whilst moving away from the traditional dependency model of housing towards empowered independent community. Naming their villages was an important step in this journey.

The project involved tenants suggesting and voting on a new name for their villages. Discussions on possible names took place before a consensus was reached that the first village should be named “Wasanthapuram” meaning “The City of Spring”. Wasanthapuram was registered officially as the new village name, on 1 June 2016.

Each house was allocated a separate number and provided with an independent post box to receive their mail. Having independent post boxes means that the villagers of Wasanthapuram can now, amongst other things, participate independently in the postal census conducted by the Department of Census and Statistics. This is an important step towards greater independence for the villages.

The village of Wasanthapuraum held an official opening ceremony in April 2017. Throughout 2017 the project will be replicated and rolled out across all the Group’s Sri Lankan tea estates.

The untiring efforts of all involved, including the Director/Chief Executive Officer of Tea Estates Sri Lanka and the estate managers who liaised with regional government institutions has led to the initiative’s great success.

Following on from the pilot’s success, in 2017 we plan to roll out the re-naming model to all other villages within our operational boundaries.



Some like it cold!

Since its inception, Finlays Cold Storage (Pvt) Ltd located in Colombo, has been Sri Lanka's leading temperature controlled logistics centre. A wholly-owned subsidiary of Finlays Colombo Ltd it is the largest and most technically advanced Cold Store in the country, providing a 65% share of the market.

The facility started off as a standalone, 4,500 pallet facility in 2005. Its operations and services were well received by manufacturers of leading brands and within six months occupancy had exceeded 75% leading to a doubling of capacity in 2007 and further expansions in 2013. Currently the facility has just over 2.9 million cubic feet of racked space, which has the capacity to store over 12,500 tonnes of products. Offering consistent, professionally managed and monitored cold storage space with temperatures ranging from - 21°C to + 30°C (frozen, chilled & ambient) in nine temperature controlled zones, the facility can store an array of products from FMCGs, to fish, cosmetics and pharmaceutical products.

Having nine temperature controlled zones to maintain in a tropical climate means that energy use is key and is a main cost driver in cold chain operations. Sri Lanka has one of the highest energy tariff structures in the region.

As the company is committed to a long-term sustainable business model projects involving renewable energy sources and efficient energy utilisation are constantly being evaluated. With this in mind and in the knowledge that the cost of energy in Sri Lanka has a material impact on operational costs, FCS, initiated a proposal to establish renewable energy production through the construction of a grid connected Photo Voltaic solar power system. The solar panels are located on the roof of the existing cold storage building, and can generate up to a capacity of 1,000kWp. The installation of the solar panels began in December 2016 and were officially 'switched on' in February 2017.

The project aims to generate about 27% of the cold store's energy requirements and will also act as a significant cushion against adverse future tariff increases and has the added benefit that any additional units exported to the grid will result in a rebate on future energy bills. The facility is now on net metering which allows it to offset generated units against consumption from the main grid.

The system consists of smart solar modules which offer superior functionality including panel level power tracking and monitoring together with emergency switch-off for enhanced safety. Personal safety and ease of maintenance resulted in the incorporation of heavy duty walkways, safety belt rails, perimeter fencing and roof top water access points for panel cleaning. The installation will lead to a reduction in Carbon Scope 2 emissions which is estimated to save 900 tonnes of carbon per annum. This project, the first on one of our sites in Sri Lanka, will increase our practical understanding of the opportunities, challenges and commercial outcomes, of solar power if implemented at other facilities across the country.

The introduction of renewable energy production allows FCS to continue competing in the rapidly growing economy of modern Sri Lanka by enabling its customers to be more competitive and differentiated.

This unique initiative was supported by the Swire Sustainable Development Fund.



Saosa tea extracts factory

New products being made at Saosa Factory in Kericho have resulted in a change to the amount and nature of the effluent water produced by the plant and requiring post process treatment.

The Effluent Treatment Plant (ETP) project is being designed to ensure surplus effluent water produced by the factory is treated in a responsible way. Therefore will not damage the ecosystems in and around the estate and enables compliance with the environmental standards expected by Kenya's National Environmental Management Agency (NEMA).

The treatment process consists of modern biological (anaerobic and aerobic bacteria) treatment techniques, which clean the water and returns it safely to the environment. A number of stages in the process act in different ways to treat any water contaminants. Solids are separated by a filter press which physically squeezes water out to be recycled. The solids can then be composted and used to fertilise organic tea fields and surrounding tree plantations. Estate employees will be involved by being asked to contribute manure from their cows which will be used to seed the process during commissioning.

The new plant is designed to process all the surplus water from the tea extract factory, doubling the capacity of the current treatment plant.

The water produced will be of a quality that will not harm any of the local fauna or flora after being discharged. The Saosa team has worked closely with the local Environmental Inspector to develop the new process over the last three years with a pilot plant running continuously for two years before a decision was made to scale up to this new plant.

The project was started in 2016 and will be fully operational by July 2017. Suppliers and contractors, both local and international, completed the installation work ahead of commissioning at the beginning of April. The technology has been supplied by a specialist based in the United Kingdom. The tanks and other equipment have been assembled by Kenyan contractors with specialist supervisory support where needed. The completed project involved moving 13,500m³ of soil, and includes 1,000m of pipework, 1,100m³ of concrete and will have a storage capacity of 3,500m³.

A new technology like this requires learning new skills for those involved. Training and support during commissioning and into early operation will ensure that the plant is operated and maintained by competent personnel providing a sustainable benefit to the environment.

Benefits of the system:

- Compliance with environmental regulatory expectations.
- Quality assurance for our customers through certification standards.
- Provision of environmental security for Finlays extracts plant, to ensure a sustainable business.

Strengths:

- The technology is similar to that used in water treatment plants world-wide and has proven to be successful and robust.
- Sectional steel lined tanks represent a highly durable option, is quick to erect and of proven quality.
- Potential as a blueprint for other Finlays projects in Kericho and elsewhere.

The ETP plant is a "State of the Art" facility which will provide a lasting and sustainable solution to effluent management for the Extract business, well into the future.



Fair Trade coffee

Sustainable certification is one way Finlays and our customers can ensure that the farmers and workers in our supply chains receive a fair price for their crop and have safe and fair working conditions.

In 2016, 59% (4,540 tonnes) of all green coffee bean purchases across Finlays were sustainably sourced, 73% of which are certified either Fairtrade International or Fair Trade USA. This makes Finlays the largest supplier of 'award winning' private label Fairtrade coffee in UK and one of the most influential globally.

Last year, Finlays distributed US \$1,454,127 in Fairtrade premiums to farmers in our coffee supply chains through numerous cooperatives across 16 countries in Central and South America, Africa, Asia and Oceania.

Every year, the cooperatives democratically decide how to best use their premiums according to the needs of their member farmers and their communities.

Many of the cooperatives we work with use Fairtrade premiums to employ agronomists in order to build the capacity of their member farmers to ensure good standards of agricultural practices and sustainable use of their land. Implementing sustainable, Good Agriculture Practices (GAP) can improve yields, quality and farmer livelihoods.

The agronomists employed educate farmers on the safe use and application of pesticides and agrochemicals, to ensure the safety and welfare of farmers and reduce any harmful residues on crops and any impacts on local environments. Farmers have been taught the importance of sustainable

coffee production and how to grow coffee using fewer fertilisers; saving money and reducing impacts. Further workshops have been held on organic fertiliser application and the benefits of introducing wild edges to plantations in order to promote wildlife, natural pest control and soil fixing practises.

It is also common for cooperatives to invest their premiums on the well-being of their farming communities. Some examples of these investments include:

The Associaco Comunitaria dos Costas in Brazil, has built a crèche which gives children a safe place to go after school, when their parents are working in the fields. The crèche also employs women from the farming community and tackles issues such as alcohol dependency.

In Nicaragua, the Cecocafen cooperative has helped setup a micro saving and loans programme for the women's community group, facilitating a variety of income generating projects which helps farming families diversify their income.

In Vietnam, The Eakiet Cooperative have built a playground for the local primary school, a nursery in the remote coffee growing area to invest in future generations and has set up a 'study encouragement' fund for farmers' children, to assist them to go to school and built a charity house for the poor of the area.

In Peru, CENFROCAFE have provided trainings on gardening and animal husbandry to 650 families in their communities in order to improve access to quality nutrition and diversify farmer incomes. The Huatusco cooperative have built a health clinic for farmers and their families and have supplied health kits to each farmer household.

In addition to Fairtrade coffee products, we also supply products that are certified to Rainforest Alliance and UTZ certification standards that also aim to create better social and environmental conditions for farmers in our supply chains.

What is 'fair trade'

Fair trade standards guarantee that producers in developing countries receive a fair price for their crop by setting a minimum price. The standards also focus on the protection of workers' rights and the environment. In addition to a stable price, producers are paid a Fairtrade Premium to invest in their businesses and communities.

What is a 'co-operative'?

A cooperative is generally a group of farmers who voluntarily unite to sell their produce together through a jointly owned and democratically controlled business.

2016 Summary



Gender equality and women empowerment project update

Working towards a gender balance in Kenya, James Finlay (Kenya) Limited (JFK) has demonstrated our leadership in the promotion of gender equality and women empowerment, the promotion of safe and secure working environments for all and ensuring that all persons thrive in what is an ethnically and culturally diverse organisation. JFK's commitment to gender equality and women empowerment is not only a human rights issue but also contributes to the attainment of the UN Sustainable Development Goals (especially goal number 5 covering gender equality) and full compliance with the Bill of Rights of the Constitution of the Republic of Kenya 2010.

Since the project began in January 2015, progress has been slower than initially hoped which has highlighted the amount of work needed to ensure full equality. Simply having a policy and strategic framework in place, does not always translate into automatic equality between women and men in the workplace. It has highlighted the need to consider as part of the process issues such as, socialisation, education, changes in business strategy in the face of global competition. It is a continual process which calls for sustained commitment, continuous re-engineering, monitoring and reporting.

Notwithstanding through hard work the project has numerous achievements to its name and has been able to promote positive change.

Some key highlights

- A Policy on Gender Equality and Diversity was initiated in 2015.
- A commitment was given to achieving significant representation of women at all levels within the business. Targets were agreed for each level of the business with an overall target of 33% as stipulated in Kenya's constitution.
- Representation of women at all levels increased from 28% in 2014 to 31%, with a notable change being within junior management; 22% to 28%.
- At board level the glass ceiling was shattered, through the appointment of Mrs Catherine Kivai as the first female Finance Director.
- In our Flowers Department currently 42% of senior managers are women, almost reaching gender parity at 49% for ungraded level.
- Tea Estates Department graded staff level increased from 15% to 22%
- One woman management trainee, through a fair, transparent and competitive process became a Tea Estate Assistant Manager within 3 years.
- JFK has ensured that at least 33% of prequalified service providers (contractors and suppliers) are women.

- Education is a social equaliser and in believing in this, JFK has implemented a number of education programs aimed at increasing the number of women in technology based Jobs, graduate Apprentice/Management Trainees, Trainee Field Assistants. These programmes include women in leadership scholarship programmes for secondary, university and masters students in the UK.

Challenges and work still remain to implement change within the culture of the organisation to one which is gender transformative. It is important for us that gender equality and women empowerment objectives are realised.

JFK is committed to engaging with and supporting all employees to realise their full potential. It has put in place gender sensitive policies covering maternity and paternity leave, nursing breaks for lactating mothers and zero tolerance on sexual harassment.

“Gender equality stands at the heart of the 2030 agenda, as a basic human right and a transformational force for more just, inclusive and sustainable development”

Irina Bokova,
UNESCO Director-General



Finlays celebrate WED across the Group

World Environmental Day (WED) held on the 5th of June, is a global event initiated by the UN Environment Programme (UNEP) in 1972. The events and projects held and organised in connection with WED enable everyone to realise not only their roles and responsibility within the environment, but also their power to become agents for change in support of a cleaner, greener and brighter place for now and for future generations.

In 2016 Finlays celebrated WED, by holding a series of local events which highlighted local issues and local solutions. This was supported by a competition run by Group Sustainability, highlighting efforts and initiatives carried out on the day.

Summary of events and projects

Finlay Flowers won the first WED competition for the best overall project for a series of initiatives which included:

- Promoting a run, walk or cycle to work day involving all senior management to raise awareness of our over reliance on fossil fuels. This initiative saw some employees traveling up to seven kilometres, to reach work, on foot!

- Planting trees in a number of the estate’s villages and in the Company’s wetland system where a number of endangered indigenous species such as the Giant Fern (*Cyathea manniana*), Sagawaita and *Prunus Africana* were planted,
- Holding community discussions on environmental issues such as wildlife preservation, the importance of tree and forest preservation and waste management and
- Running clean up campaigns to remove litter from streams, roads, villages and local environments. .

Casa Fuentes ran sessions in local schools to stress the importance of protecting the environment including the conservation of wildlife and indigenous trees. A number of indigenous plants were planted on the day, including a natural mosquito repellent, which is vital in what is a malaria prone region.

Tea Estates Sri Lanka, performed a street drama highlighting the importance of reducing deforestation and increasing conservation. Included in the message was the need to manage waste and reduce water and air pollution by using appropriate waste disposal systems. The importance of waste reuse and upcycling was demonstrated by children creating

ornaments and pieces of art from local waste. Further events were held, which included clearing sites of litter, indigenous tree planting and delivering vegetable seeds to local communities whilst teams took part in clearing a hospital grounds of waste and held educational talks about herbal plant growing techniques and herbal use. Finlays Colombo organised a number of community activities including tree planting whilst speakers from the Central Environment Authority of Sri Lanka gave an interactive lecture on “Environmental changes and human life”. The Group also ran discussions for staff on Environment Pollutants and related hazards.



2016 Summary *continued*

Landscape approach

Supporting the protection and enhancement of the landscape in which we grow is critical to our future. Integrated Landscape initiatives have been gaining increasing prominence around the world especially in tropical agriculture where there is an understanding that being sustainable within your boundaries is not enough to ensure your future.

In agriculture we are aware of our dependency on the people, communities and natural resources in the wider external landscape. However, many landscapes are under continual pressure. In Kenya, for instance, deforestation of the Mau Forest is leading to degradation of the watershed, climatic change and challenging agricultural conditions which impacts negatively on society and businesses in the region alike.

A landscape approach deals with multiple issues, seeks to identify root causes and put in place plans around these, but critically, seeks the involvement and drive of local stakeholders. For instance in Kenya on the Mau forest we are working with local stakeholder groups comprising companies, smallholders, regional and national government and their agencies. All this facilitated by a neutral organisation, IDH to focus and coordinate the work.

Managing Integrated Landscapes projects is complex and multi-disciplinary. However we need to understand that landscapes management is becoming a critical sustainability challenge for the tea industry globally.

Sustainable landscapes update – South West Mau activities 2016

The Integrated Sustainable Landscapes Project (ISLA) launched by IDH - the Sustainable Trade Initiative (IDH) in the South West Mau in 2015 continued to gain traction through a number of 'kick start' initiatives supported in various ways by the numerous stakeholders brought together for the project.

A further 4.5 hectares of degraded forest adjacent to the Mara Mara forest station was replanted with indigenous trees sourced from community tree nurseries that had been established through support from the Bongo surveillance project. During the planting ceremony 5 bee hives were presented to the Community Forest Association, These hives have now been positioned in the area under rehabilitation. Infilling and routine weeding of the 2015 planting was also carried out, and many of these original young seedlings are, as expected, displaying vigorous growth.

The Bongo surveillance team continued their good work on the ground and towards the end of 2016 a second team, funded by ISLA, was added to compliment the original team. This has enabled a much better coverage of the forest, and, in time, will also enhance our relations with the local communities and our involvement in alternative livelihoods and the educational programs that form part of the project.

The quarterly aerial surveillance flights over the forest took place as scheduled, and appear to be having a positive impact on the ground. A decline in the

number of charcoal kilns has been reported, although an increase in resident livestock (possibly associated with the well-publicised drought) has been noticed. The Dutch ambassador to Kenya, H.E. Frans Makken, took part in one of these surveillance flights on 15th November as part of a tour to witness the on-going activities being undertaken by the ISLA stakeholders. The Ambassador informed the Cabinet Secretary for the Environment, Dr. Judy Wakhungu, on the progress being made by the ISLA project.

During 2016 a full feasibility study was completed for the proposed fencing of the Eastern boundary, where the threat of encroachment is greatest. The fence would be in the region of 45km in length, and would provide the Kenya Forest Service with an invaluable management tool to regulate access to the forest and the exploitation of its resources. The study recorded a high level of support for the fence amongst the forest adjacent community. In addition to the proposed fence, the Nyayo Tea Zones commenced planting a 100m wide tea buffer along the Eastern boundary in 2016.

Finlays contributions to the ISLA project in 2016 also included the part funding of 2 new guard posts on the Eastern boundary of the forest, purchase of essential equipment for forest rangers and training on law enforcement for a number of stakeholders.

All in all, encouraging progress in 2016, with exciting developments on the horizon in 2017.

CommuniTEA welfare

James Finlay (Kenya) (JFK) is home to approximately 30,000 people of which approximately 10,000 work for Finlays. Our people are at the heart of our business. We provide our employees and their families, with housing, schooling and medical services, covering everything from maternity care to dental treatment. Within our boundaries JFK is responsible for 11,000 houses, 13 dispensaries, 14 primary schools, 49 nursery schools, 1 secondary school and 10,000 kitchen gardens.

Education is important and is considered a social equaliser, with this in mind the company has, sponsored over 135 students since the inception of a university scholarship scheme in 1993. The Finlays Charitable Trust which was set up in 2010, has also helps at 56 students a year under another sponsorship programme. In addition the Trust has funded a range of other projects which with scholarships totalled Ksh 194.8M in 2016.

Within the 143 small villages scattered across JFK’s 10,300 hectares, the majority of housing is currently off grid. Typically households use kerosene and firewood to meet their lighting and cooking energy needs. To reduce the reliance on these resources for energy, JFK recently ran a pilot study in Victoria village, Mariny estate, of an installed mini-grid Photovoltaic system with 31kWh of battery storage to provide energy requirements. We are currently studying the feasibility of extending the system throughout the Company’s properties.

Local community engagement is key and our work within the wider Kericho district includes empowering 12,000 tea small scale farmers through the development of good agricultural practices GAP and 5 farmer cooperatives. In 2016 71 participants attended a demonstration on nutrition and cooking at the Chesetekaa Co-op member’s farm.

In 2016 we have employed 10 welfare assistants and a welfare manager. Our welfare staff provide various support within our villages in JFK and in 2016 organised numerous workshops and training events covering a range of issues including gender equality, gender based violence, grievance counselling, knowing your rights and child welfare.

Most households have kitchen gardens which aid in providing nutritious diets and assist in managing organic kitchen waste. Demonstrations on composting were facilitated throughout the year in villages to enhance growing skills.

Community businesses developed and run during 2016 include bee keeping and honey production and a weaving project upcycling discarded plastic shopping bags.

Plans for 2017 include: Commissioning of the new Chemasingi Secondary School; To keep children entertained all playgrounds will be upgraded to ensure they have a swing, a seesaw, a climbing frame, poles for Netball, a pole for skipping, and an area for games such as Hopscotch, Kibau and ‘brek brek’.

A summary of 2016 scholarship expenditure in Kenya shillings (Ksh):

Category Funded	Ksh (M)
Community Projects	86.8
Secondary School Scholarships	21.2
University Scholarships	36.1
Swire Educational Trust Scholarships	45.4
Adhoc Donations	5.3
Total	194.8

Casa Fuentes sustainability update

During 2016, Casa Fuentes focused on energy efficiency. At the beginning of the year design changes were made to the boilers in Tabay and Acaragua factories which improved the burning of biomass, reducing consumption per hour and increasing efficiency. During the off season further modifications were made in Tabay and Acaragua to improve the efficiency of hot air recovery from the boilers and redirecting this for re-use in the production process.

In the sorting plant, in Oberá, the dust aspiration system was fully replaced by changing the existing pipeline system to a new, more efficient design. A mill to remove stalk and fibers has been installed whilst the acquisition of a new large filter powered by compressed air, allows automatic dust collection within the plant. With this investment the entire operation now meets our exacting health and safety standards resulting in much healthier working conditions at this site.

For the first time that Casa Fuentes participated in the “Swire Best Sustainability Project Award 2016” with a project focused on the Tabay River the objective of which was to;

- help reduce the damage to and promote recovery of the river basin,
- increase awareness particularly amongst children of the importance of environmental conservation and
- participate in, and support, actions to improve the quality of life in local communities.

It was also the first time that Argentina had participated in “World Environmental Day”. Casa Fuentes were runners up in the related competition with a school interaction project and a planting programme of indigenous plants , including one providing natural mosquito repellent.

During 2016, Casa Fuentes began to fully report sustainability data.

All Casa Fuentes properties are Rainforest Alliance certified and in the case of Acaragua, UTZ certified too. Certification by these bodies signifies that businesses operate in a way which takes into account environmental, social and economic criteria designed to ensure wildlife conservation, protection of land, aquatic ecosystems and the welfare of local communities. Approval has been given to set up a biodiversity study on our tea estates in Acaragua and Argente. Modern standards recognise that biological diversity contributes to natural cycles and that ecological processes are highly significant for the health and regulation of sustainable agricultural.

Environment

Energy



Reliance on non-renewable energy is decreasing, globally. Our aim is to reduce our use of these energy sources by increasing our use and production of renewable energy and through improved energy efficiency in all our operations, globally.

Across our business, having a reliable, constant, cost effective and sustainable energy supply is business critical. In 2016 saw an improvement in the way in which our operations have used energy. Our Group’s solar energy capture and use has increased through installations in Kenya, and as mentioned on page 15 the solar panel installation on the roof of the Cold Store run by Finlays Colombo.

This year 87% of our energy consumption came from renewable energy sources. Globally our renewable energy sources consist of hydro, solar, biogas and sustainable biomass. In Sri Lanka tea estates 670 GJ of energy was generated through using paddy husks and rice husk waste. Group wide 83% of our annual energy consumption was through sustainable biomass.

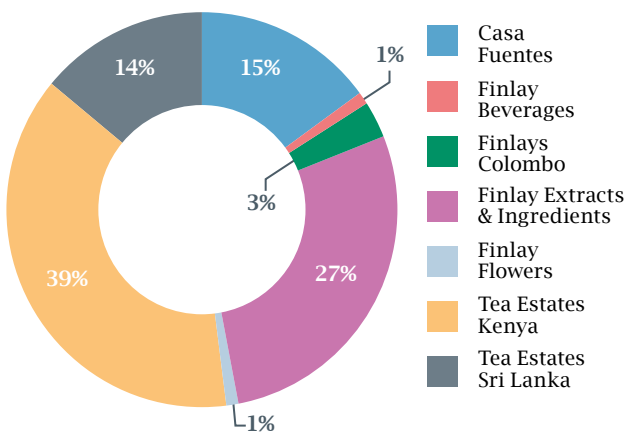
Biomass remains our most used energy resource. We are committed to sourcing and growing sustainable biomass and researching and trialling alternatives such as biochar, and using sawdust pellets where possible.

Long-term energy supply and renewable sourcing reached a new commitment in our Kenyan operations as a cross-functional business team has been set up to define a clear energy strategy that provides our business with a proactive approach, working together for the long-term benefit of the company, benefiting our customers, shareholder, communities and the environment. Strategically planning energy requirements, projects and renewable developments, this is an exciting opportunity to make a real significant and lasting difference in Kericho.

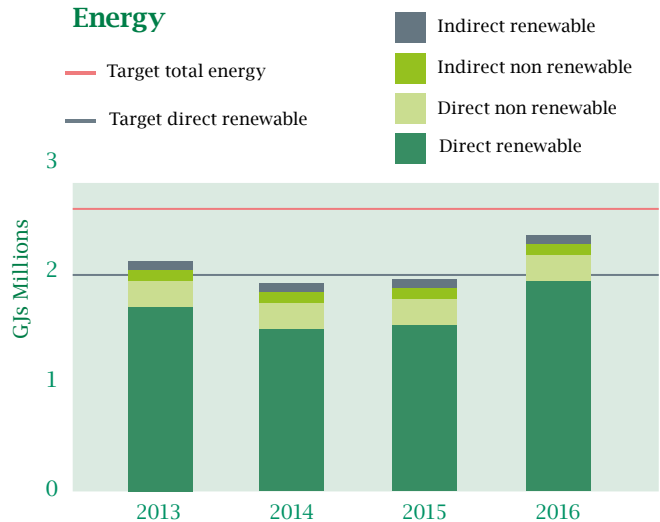
Highlights of 2016

- Tea Estates Sri Lanka reduced direct non-renewable energy by 16%
- Finlay Flowers reduced the total use of energy by 35% since 2013, despite a 25% increase to production.
- FEI have reduced energy consumption per production tonne by 20% since 2013, with a 120% increase in production.

Total energy per business



Energy



	2013	2014	2015	2016	Target Performance
Total energy (GJ)	2,002,827	1,770,642	1,786,087	2,131,849	-6%
Direct non-renewable (GJ)	217,817	179,689	150,896	184,015	
Direct renewable (GJ)	1,644,447	1,455,492	1,466,169	1,788,083	-6%
Indirect non-renewable (GJ)	54,886	62,077	92,606	82,450	
Indirect renewable (GJ)	85,662	73,371	76,402	77,284	
Total energy GJ per production tonne	8.039	7.959	7.892	7.805	

(GRI: G4-EN3, G4-EN5, G4-EN6)

Water

Conservation of global water resources remains important. Good agricultural practise highlights the need to conserve and respect water resources where possible.



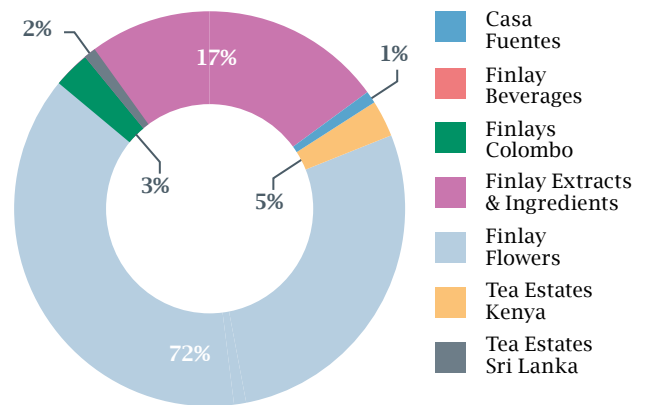
The main source of water in our operations is blue water, this makes up 83% of our total water use in 2016. On our farms our principal water sources are lakes and rivers; totalling 1,775,406m³ this year. Our tea crops are watered using natural rainfall. Our Flower operations use drip irrigation on stems and any water that is used in any processing is treated before release. In Kenya, a series of constructed wetlands within our farm boundaries treat waste water from farms and factories. Surface water analysis is carried out regularly to ensure that the quality of water entering and flowing out of the plantations is maintained. We use collected rainwater (green water) where we can and in 2016, 14% of water we used was green water.

Overall water consumption has increased as our Argentinian operations began reporting sustainability data this year. Drought conditions experienced in Kenya also meant an increased use of water in our Flower operations. Increased tea production and new product lines both in Kenya and the UK has translated to further increased water consumption.

Highlights of 2016

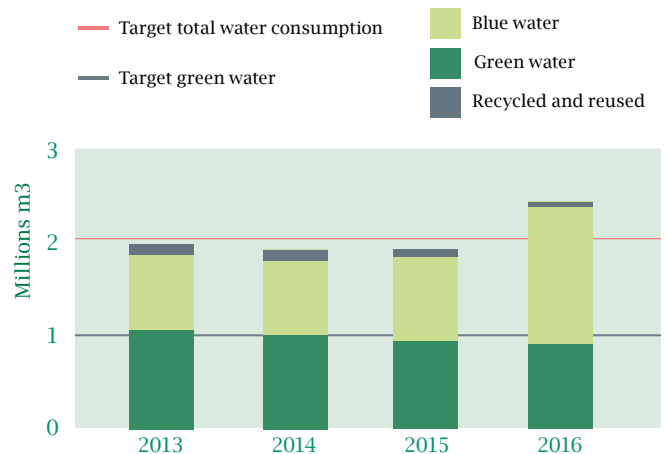
- James Finlay Kenya total water use has reduced by 23% despite a 27% increase in production, through continued water efficiency actions.
- Finlays Extracts and Ingredients water intensity has decreased by 10% since 2015.
- Secadero Acaraguá, in Argentina began collecting green water through refurbishing an old water tank to collect rainwater from the factory roof.

Finlays total water use 2016



Water sources

	m ³
Total water use	2,308,742
Blue water	1,921,547
Ground water	70,418
Municipal mains water	75,723
Surface water (lakes, wetlands, rivers)	1,775,406
Green water (harvested rainwater)	328,269
Recycled & reused	58,926
Water not treated before reuse	2,494
Water treated before reuse	56,432



	2013	2014	2015	2016	Target Performance	2016 water make up
Total water use	1,917,493	1,873,743	1,905,883	2,308,742	12%	100%
Blue water (m ³)	1,326,750	1,338,106	1,492,762	1,921,547		83%
Green water (m ³)	447,301	410,982	323,220	328,269	-26%	14%
Recycled & reused (m ³)	143,442	124,655	89,902	58,926		3%
m ³ water consumption per tonne of Production	7.81	8.56	8.42	7.41		

(GRI: G4-EN8, G4-EN22)

Waste



Effective waste management is a key focus for all Finlays businesses and is achieved by following the waste hierarchy system. Throughout our operations we encourage the principles of reduce, recycle, reuse and recover.

As a result of all our businesses commitment to effective waste management, 73% of our total waste generated in 2016 was diverted away from landfill, seeing our landfill target being overachieved by 60%. Our Beverages operations in the UK, remain on zero waste to landfill, for the third year running. Group wide landfill target was exceeded by 49% this year.

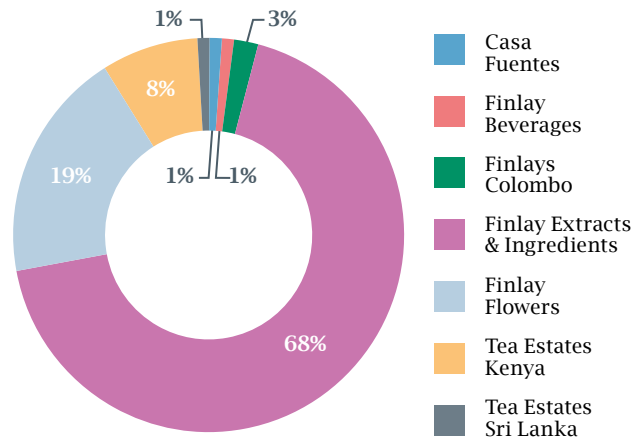
This year some waste management initiatives carried out in our Group range from converting biodegradable waste (spent tea/coffee, flower waste) into compost, to using spent tea as a source of biogas fuel, and recycling as much material locally as we can.

We begin the segregation of waste at source, with awareness and training programmes run on our farm. This includes biodegradable waste (such as kitchen waste, sawdust, garden waste) which is sent to village compost heaps to generate compost for community kitchen gardens. A series of composting training events have been held within the villages.

Where our waste went in 2016:

- Finlay Extracts & Ingredients USA sent over 3,000 tonnes of spent coffee grounds to be used for compost.
- Casa Fuentes participated in the first campaign to collect electronic waste in Misiones being the only Argentinian tea company to participate in WEEE disposal - responsible Electrical and Electronic Equipment waste disposal.
- Our UK operations continue to participate in a 'Green IT Scheme' which involves donation spare IT equipment (laptops) to global charities.

Total waste



	2013	2014	2015	2016	Target Performance
Total waste (tonnes)	37,737	33,133	36,256	45,260	5%
Total landfill (tonnes)	18,991	11,453	8,522	12,343	-49%
Total waste recycled (tonnes)	1,160	1,214	1,830	1,646	
Total waste reused (tonnes)	597	361	444	528	
Total waste recovered (tonnes)	16,989	20,105	25,460	30,744	
Tonne of waste per production (tonne)	0.154	0.151	0.160	0.145	

(GRI: G4-EN23)

Carbon

We use renewable sources where possible and have targets to reduce our non-renewable resource use to minimise our carbon footprint.



Finlays Group exceeded Scope 1 emissions target by 18% this year as a result of continued efforts to reduce operational emissions through non-renewable sources.

Scope 2 emissions is linked to grid energy use, this year we missed our target by 2%, as we increase production and expand our pack house in Flowers Kenya.

In Sri Lanka our business was severely affected by the drought this year as the regions have been induced by very strong signals of changing climate and weather conditions.

We have commenced research into climate change and agronomy with Ruitsmaikan Sustainability Science University of Japan, to continue to understand and find the right solution for mitigation or adaptation to the new climatic conditions. Presently three weather stations are in place namely on Concordia, Court lodge and Demodera estates. Use of nanotechnology studies micro climate changes such as soil moisture, wind speed etc.

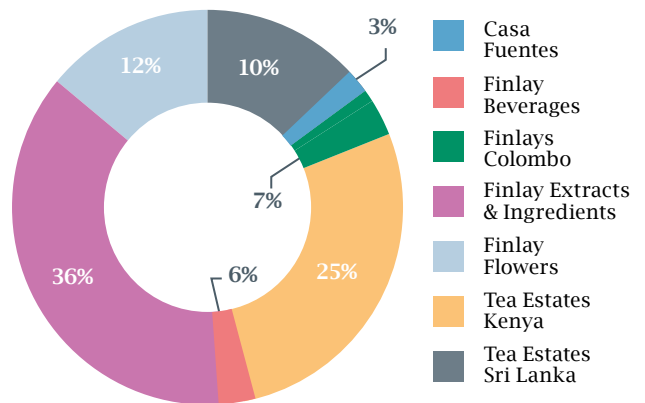
2016 highlights.

- FEI reduced Scope 2 emissions by 31% since 2015
- JFK reduces scope 2 emissions by 20%
- TESL reduces Scope 2 emissions by 16%

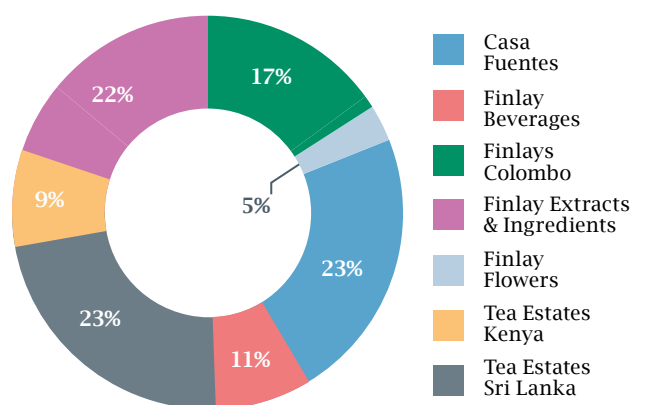
Carbon S1 and S2



Total scope 1 emissions



Total scope 2 emissions



	2013	2014	2015	2016	Target Performance
Total scope 1 emissions	15,467	12,598	9,828	13,130	-18%
Total S1 emissions per production tonne	0.063	0.058	0.043	0.042	
Total scope 2 emissions	16,645	15,167	19,910	15,710	2%
Total S2 emissions per production tonne	0.068	0.069	0.088	0.06	

(GRI: G4-EN15, G4-EN16, G4-EN18, G4-EN19)



Occupational health and safety

2016 has seen us continually improve how we manage our health and safety performance throughout the Group.

We employ over 26,000 people across four continents and engage extensively across Finlays to identify and develop an ambitious, long term strategy to deliver our vision of Zero Harm.

OHS reporting

Significant work has gone into improving both the quantity and quality of Occupational Health and Safety (OHS) reporting in 2016. This included capturing proactive data, such as hazard spots and safety inspections, as well as improving the accuracy of reactive data recorded, i.e. accidents, incidents and near misses.

Such improvements in OHS reporting levels often results in what appears to be an increase in accidents and incidents, when in reality is only more accurate reporting, which is to be welcomed. This has led to a much more accurate representation of occupational health and safety statistics and information across the group, which has been essential in the development of our longer-term strategy which is to deliver our vision of Zero Harm.

Zero Harm strategy

2016 saw us engage, develop and consult on a five year OHS Zero Harm strategy that provides a roadmap for our many different businesses to progress at a pace that best fits their respective geographies, cultures and standards, within a group-wide framework which is based on delivering continual OHS improvement at every level and aspect of our business.

Roots to success

Our Zero Harm strategy is based on seven roots to success:

- Leadership
- Learning
- Engagement
- Competence
- Community Culture
- Risk Management
- Standards

Each 'root' has a 'branch' that progresses from foundation, through developing and implementing, to embedding, so enabling each business

to identify and implement a Zero Harm plan that best fits their needs and will bring the greatest benefits.

The 'Always Safe' culture

Underpinning and essential to our Zero Harm approach is the development and maintenance of a culture of safety under the 'Always Safe' banner. This approach engages and empowers every individual to help improve our overall health and safety performance, to take responsibility for their own health and safety, and to look out for their families, colleagues, and anyone else who may be at risk.

Plans for 2017

With the full support and commitment from all our business units the Finlays Zero Harm strategy, including the engagement of all employees in the development of an 'Always Safe' culture of safety, began with a group-wide launch in April 2017. Zero Harm focusses on engaging all our employees in developing our 'Always Safe' culture of safety, demonstrates commitment from all our business units, and reflects a long term investment in both our people and our business.

2016*	Total Injury Rate	Injury Rate Female	Injury Rate Male	Lost Day Rate	Lost Day Rate Female	Lost Day Rate Male	Occupational Illness Rate	Occupational Illness Rate Female	Occupational Illness Rate Male
Africa	1.43	0.41	1.01	31.57	6.41	25.16	0.00	0.00	0.00
Sri Lanka	8.54	4.23	4.31	24.37	13.35	11.02	0.01	0.01	0.00
UK	6.33	1.98	4.35	0.00	0.00	0.00	0.00	0.00	0.00
North & South America**	22.53	0.00	22.53	2712.07	0.00	2712.07	0.00	0.00	0.00

*2016 data reflects improved reporting on hours, incidents and the introduction of acquired businesses beginning to report. Injury rates include minor, major incidents and fatalities. Rates are calculated per 200,000 hours worked. The 200,000 factor is based on 100 employees working 40 hours per week for 50 weeks a year. By using this factor the Group rates are comparable and the rate is related to the number of employees and not the number of hours worked.

**Figures include Argentina who began reporting in 2016; much work to get employees back to work and lessen incidents has taken place throughout 2016.



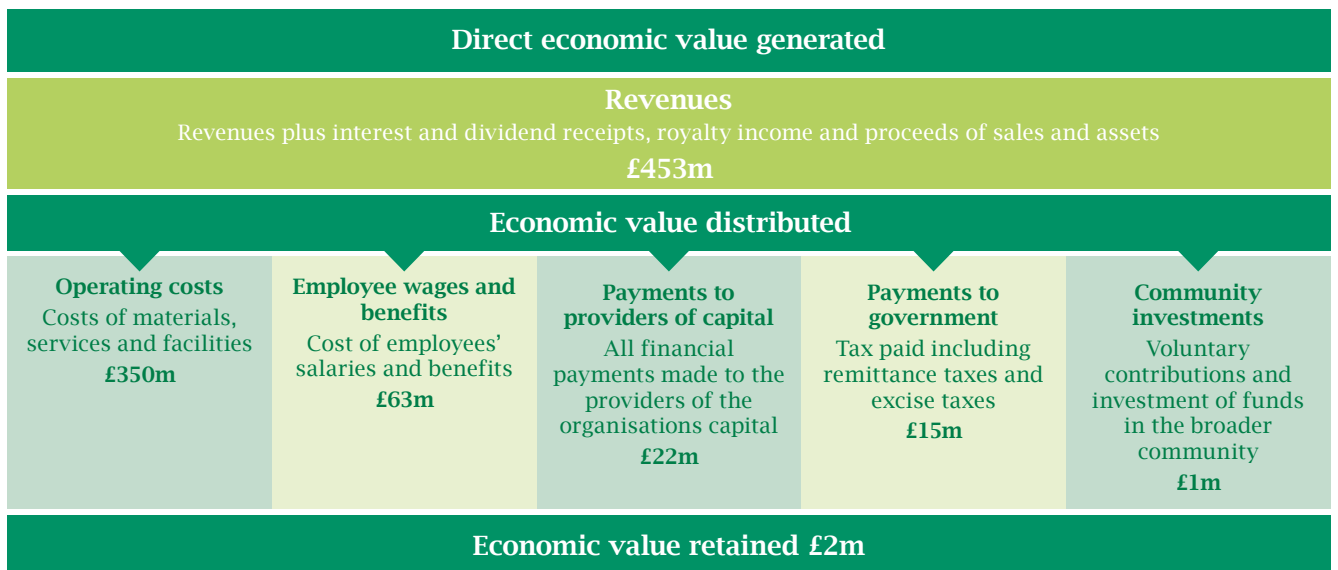
Economic contribution

Finlays is committed to addressing social, political and environmental issues by demonstrating that it is more financially rewarding to be sustainable.

Our businesses understand that we need to take an active leadership role in dealing with sustainability issues; we need to share knowledge and engage with the communities in which we operate. This will benefit our suppliers, our communities and society in general, whilst seeking to be financially profitable.

Investment over many years and into the future - in our fields, factories and on our land - has resulted in significant economic contributions to the countries in which we operate and has created direct employment for thousands, and indirect employment for many more.

Our economic contribution includes: direct employment, buying from local, regional and global suppliers, alongside the distribution and retailing of our products.

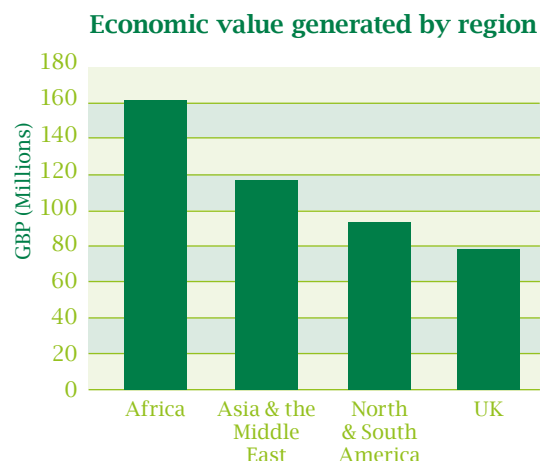


In the year ending 31 December 2016, Finlays generated £453 million in economic value. The majority of this value was distributed through the course of our business to our employees, shareholders, suppliers and governments, as well as to local communities through our sustainability activities. 2016 saw the economic value retained as £2m.

Investment over many years and into the future - in our fields, factories and on our land - has resulted in significant economic contributions to the countries in which we operate has created direct employment for thousands and indirect employment for many more.

Finlays work collaboratively with smallholders in many markets and various projects with farmers. We help provide them with an income so they can support their dependents and contribute to the development of the communities in which they live and where we operate.

In many cases, Finlays assists farmers with marketing activity, logistical support and essential farming expertise and good agricultural practice.



(GRI G4-EC1)

Plans for 2017



Sustainability Strategy review

It is eight years since the first Sustainability Strategy for Finlays was introduced and over this period much has changed. The Horticulture business, other than Finlay Flowers has been sold and our key customers have changed. Internally we have a new management team in place and increased integration between businesses. Additionally our Shareholder has increased expectations on Sustainability with the new Swire Thrive strategy.

We have learned much from implementing our current strategy covering as it does five commitments relating to the business, environment, people, communities, products and services along with 39 subsidiary objectives. These commitments and objectives in part provided some direction and at times stretched ambitions of the various business units, however, retrospectively, there were too many and they now need to be reviewed to ensure that they adequately support the Group's revised business model.

The revised strategy should be launched in mid-2017.

Biodiversity studies

Casa Fuentes has over 1,400 hectares of tea in production and over 1,800 hectares of conservation land, most of which is indigenous rainforest. This forest is a component of the Atlantic Rainforest that runs from the Atlantic coast in Brazil across to Paraguay before taking in Misiones in Argentina. One of the single largest tracts left is in Misiones where the forest is crucial to the future of the Argentine tea industry not just as a climate regulator, but also as a barrier to pest and disease. In 2017 we intend to engage and explore opportunities to work with other companies and sectors to promote the ecological protection of the indigenous forest ecosystems. To help identify and build knowledge of the biodiversity we have on and within our boundaries in our Argentinian operations, we will commission a Biodiversity study in Argentina is set to run from April 2017 to March 2018 in estates Acaragua and Argentine.

Sri Lanka will complete a biodiversity study in the Rakwana region. This is the fourth biodiversity study we have conducted on our estates in Sri Lanka.

The output of action and management plans have enabled us to contribute to protection and enhancement of biodiversity in our growing regions.

Integrated landscapes

In Kenya we will continue our work on the Mau Forest through the ISLA project and our partners. In Sri Lanka we will continue to collect climatic data and research potential landscape interventions. For Argentina we plan to bring the key stakeholders in the industry together in 2017 to evaluate the potential issues impacting on the region particularly with regard to the degradation of the Atlantic Forest in the countries surrounding Argentina.

Field Innovation Group (FIG)

Tea Estates Sri Lanka has set up a group of estate managers and directors to bring together the regions' best agronomy skills. The aim of this group for 2017 is to share ideas and experience on how to best manage tea estates in the regions and to standardise best practice and research and trial new methods.

The group is aiming to become leaders in professional Agronomy.



Essential oils – innovation

This innovative project plans to develop a new sustainable trade supply chain using UK Agritech, sustainability assessment and market development for the production of a range of essential oil crops for two smallholder farmer groups in Kenya.

The objective is to support more resilient livelihoods and aims to develop a variety of crops to market which would enable the small holders’ production portfolios to be more balanced, robust and develop into long-term supply programs. Current oils being piloted are Lavendum, Vetiver, Geranium, Rosemary, Lemon and Eucalyptus.

This project is part funded by Innovate UK and is a partnership with Dudutech Kenya, University of Lincoln, University of Reading and Forum for the future.

Smallholder strengthening

With the aim to strengthen our work with smallholders in Kericho, Kenya, we plan to reform the Co-operative boards, increase leaf delivery from small holders and deliver training schedules to the co-operative boards. A further assessment of the options for the

provision of business skills training to farmers will be conducted too.

Swire thrive strategy

Swire group’s new sustainable development strategy, THRIVE, continues to be compiled and released in 2017. The new THRIVE strategy is designed to create a resilient environment that provides for the future, and emphasises looking ahead and taking the right decisions for the long-term. The Sustainable Development Office is currently working with teams from the group’s operating companies to establish specific targets under each of the six points in the plan.

This strategy will be implemented and impact all of Swire’s operations and comprises of a six-point plan targeted at 2030. This plan commits Swire to:

- Pursuing a long-term goal of decarbonisation
- Turning today’s waste into tomorrow’s resource
- Using and managing water responsibly
- Sourcing materials sustainably
- Protecting and enhancing biodiversity and
- Building lasting climate resilience

Leed Gold in the USA

A New R&D facility will be built to LEED Gold Standard in Rhode Island, USA. LEED (Leadership in Energy and Environmental Design) is a certification programme open to all buildings within the US and certified by the Green Building Council. LEED-certified buildings are resource efficient. They use less water and energy and reduce greenhouse gas emissions. The new site aims to be certified LEED Gold in 2017.

Roll out of village empowerment in Sri Lanka

Following the success of the renaming of the village of Wasanthapuraum, in Sri Lanka, the plan for 2017 is to roll out this re-naming model to the remaining villages. In April 2017 the residents of Wasanthapuraum will be holding the ceremonial opening of their newly named village.

Legal form and governance

Finlays was founded in Scotland in 1750. James Finlay and Co. was a partnership until 1909 when a private company was incorporated as James Finlay and Company Limited before being floated on the Glasgow Stock Exchange in 1924. The Company was re-registered as a public limited company, styled James Finlay PLC in 1981. Acquired by John Swire and Sons Limited in 2000 when it was renamed James Finlay Limited, the Company is now a subsidiary of Finlay Group Limited which in turn is a wholly-owned subsidiary of John Swire and Sons Limited.

Main Board

The Main Board, which is tasked with organisational oversight and setting strategy, comprises three Executive Directors responsible for various aspects of the business, two Non-Executive Directors representing the shareholder, John Swire and Sons Limited, and three Independent Non-Executive Directors.

Merlin Swire

Non-Executive Chairman

Guy Chambers

Executive Director –
Group Managing Director

Julian Rutherford

Executive Director –
Group Finance Director

Julian Davies

Executive Director –
Director Corporate Affairs

James Hughes-Hallett

Non-Executive Director

Stuart Strathdee

Independent Non-Executive Director

David Johnston

Independent Non-Executive Director

Christiane Kuehne

Independent Non-Executive Director

Philippe de Gentile-Williams

Non-Executive Director

Divisional Boards

Each Business Unit is overseen by either a statutory or a management board comprising senior executives and representatives of the Main Board.

Sri Lanka

In Sri Lanka, the Group at the end of the year had two publicly listed companies in which it has controlling stakes. The Boards of these companies, in addition to the representation referred to above, also include a number of Independent Non-Executive Directors. They are fully compliant with corporate governance regulations applying in Sri Lanka.

Internal audit

The Group has an extensive Internal Audit function which is monitored by a series of committees that report to a Group Audit Committee comprising two Independent Non-Executive Directors utilises one representative of John Swire and Sons Limited.

In addition, the Group Managing Director, Group Finance Director and Director Corporate Affairs also attend the Group Audit Committee meetings together with the Group Internal Auditor and, as required, a representative from the external auditors, KPMG LLP.

Other committees

A number of functional committees are in place at both Group and Divisional level. These cover a range of issues including Health and Safety, Sustainable Development, and Human Resources.

Policies and procedures

A series of policies and procedures have been developed with the aim of making all employees fully aware of their responsibility for ensuring that the Group conducts its business in accordance with applicable laws and regulations. These include a Group Corporate Code of Conduct and a Whistleblowing Policy designed to ensure that good governance is across the Group. A series of guidance notes have been issued to employees on such matters as competition compliance, and the UK Bribery Act. All relevant staff have been given appropriate training on these and other issues.

Each business unit maintains a Risk Register which is updated at least twice per annum and the main board formally reviews the consolidated Group Risk Register annually.

Employee forums

Throughout the Group our employees have opted to use a number of different options to engage in this dialogue. This includes Trade Union recognition and also democratically elected worker forums. A variety of other internal communications vehicles are also used to facilitate interaction between management and employees, such as employee feedback forms, conferences, workshops, magazines and newsletters.

Operating Companies

- > James Finlay Limited
- > James Finlay (Kenya) Limited
- > Hapugastenne Plantations PLC (90%)
- > Newburgh Green Teas (Pvt) Ltd (54%)
- > Udupussellawa Plantations PLC (91.5%)
- > Casa Fuentes SACIFI
- > Finlay Extracts and Ingredients UK Ltd
- > Finlay Extracts and Ingredients USA, Inc.
- > Finlay Tea Solutions UK Ltd
- > Finlay Hull Ltd
- > Finlay Vietnam Ltd
- > James Finlay (Blantyre) Ltd
- > James Finlay (ME) DMCC
- > James Finlay Mombasa Ltd
- > Xiamen James Finlay Ltd
- > Finlay Beverages Ltd
- > The New London Tea Company Ltd
- > Finlays Colombo Ltd (99.8%)
- > Finlay Properties (Pvt) Ltd
- > Finlay Cold Storage (Pvt) Ltd
- > Finlay Rentokil (Ceylon) (Pvt) Ltd
- > Finlay Insurance (Brokers) (Pvt) Ltd
- > Finlays Maldives (Pvt) Ltd
- > Finlays Linehaul Express (Pvt) Ltd (50%)
- > Damin Foodstuff (Zhangzhou) Co Ltd (40%)



Development policy

Finlays as a wholly owned subsidiary of John Swire and Sons adheres to the Swire Group Sustainable Development Policy¹

To achieve sustainable development we aim:

- To achieve net zero impact on the environment
- To cause zero harm
- To excel as corporate citizens

Our policy

Industry leadership

We aim to be leaders in sustainable development in the industries in which we operate.

In our operations we will

- Be a good steward of natural resources and biodiversity under our influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed
- Do our best to safeguard the health and safety of all our stakeholders
- Provide an environment in which all employees are treated fairly and with respect and can realise their full potential
- Encourage suppliers and contractors to promote sustainable development
- Encourage the responsible use of our products and services by our customers and consumers
- Bring value to the communities of which we are a part and enhance their capabilities while respecting people’s culture and heritage

Making it happen

- All companies in which the Swire Group has a controlling interest will have action plans for applying this policy in a way which is relevant to their business. We will encourage other companies in which we have an interest as a shareholder or through our supply chain to implement similar policies
- We will encourage and empower our staff to be proactive on sustainable development matters both at work and in the community
- We will monitor our performance and report it regularly
- We will review this policy periodically, having regards in particular to stakeholder dialogues

¹ Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. - “Our Common Future”, 1987 - World Commission on Environment and Development.

Finlays is committed to creating a sustainable future.
It's the only future we have.