

Sustainability Report 2018



Celebrating 10 years of sustainability reporting at Finlays.

This edition of the Finlays Sustainability Report marks the tenth anniversary of reporting sustainability within our global operations. Over the 10 years Finlays has achieved a number of notable milestones, objectives and targets and we have learnt a lot as a company throughout this period.

2009	Our reporting journey begins. As does our strategy journey; we launch our first Sustainability strategy.	2010	Progress towards our sustainability targets is reported in key areas of focus: water, carbon emissions, energy, waste and people. We increase our reporting on biodiversity and community engagement.
2011	We are now committed to reporting to GRI C+ level and our Sustainability Managers attend GRI Reporting master class. We begin to report our land stewardship and crop diversity journey.	2012	Over 70% of our energy is now from renewable sources. Finlays helps initiate Tea2030, with partners.
2013	A full biodiversity study was carried out in Finlays Kenya, highlighting the linkages and importance of biodiversity within landscapes.	2014	Having 11 year ETI membership for our Horticulture businesses, we extend this to Group. Our Gender Empowerment Manager and a Welfare Manager in Kenya are recruited.
2015	In Kenya, our Gender Equality and Diversity policy is launched. Taking the lead, project Athena commits to equal opportunities, gender equality and empowerment in the workplace.	2016	World Environment day was celebrated Group-wide. Biodiversity studies are carried out in Sri Lanka. We introduced a new data management system, across the Group.
2017	We begin a full review and refresh of our 2009 sustainability strategy. To stand back, reflect and take a holistic view of the beverage industry.	2018	Sustainable Future, Finlays refreshed strategy is launched. This reflects our aim to bring the best from bush to cup, sustainably.




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Environmental Impact Statement

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0.37 tonne
of carbon captured


1134
car miles

or 
31m²
of land preserved
by the World
Land Trust

FOREWORD



Today, an increasing proportion of global consumers expect their food and beverages to be traceable and sustainable. Ten years ago, when we produced our first Sustainability Report, this phenomenon was seen as ‘niche’. Today, in many markets, it is becoming the norm. Finlays continues to be well-placed to help beverage brand-owners to meet these requirements. Combining tradition and innovation, Finlays strives to be a trusted, sustainable and innovative partner to beverage brand-owners across the globe. We aim to bring the best from bush to cup whilst also having a positive impact on communities, consumers and the environment. This Sustainability Report explains some of the work that we do in this area.

Sustainability topics are frequently at the top of the agenda in many parts of the world. Topics such as climate resilience, carbon neutrality and ethical business are not just local issues, but also global issues. Again, over the last ten years, Finlays has focussed on these (and other) issues and we continue to focus on them today. In 2018, we updated our Sustainability Strategy and have named it ‘Sustainable Future’. We have selected six strategic objectives: integrated landscapes, land stewardship, our people, low impact operations, empowered communities and sustainable supply. We have also set ambitious targets for each objective for completion by 2022. Details are contained within this report.

Talking practically, whilst we have dedicated resources in a Sustainability Department within organisation structure, we do not see Sustainability as a stand-

alone function. It goes to the heart of everything that we do as Finlays. For example, the six elements of our sustainability strategy are each sponsored by a member of our global leadership team. Each leader acts as a champion to integrate the strategy into the fabric of our business.

This report contains highlights of the work that we are doing around the world. For example, during 2018, we continued our work on climate resilience through our integrated landscapes initiatives. In particular, we continued to develop our partnership projects within the South-West Mau forest in Kenya, which is so critical to the micro-climates around our tea estates. I am also particularly pleased to be able to report on increasing collaboration with our customers to address their sustainability priorities as well as ours (see page

35) and look forward to developing more and deeper relationships in the future.

The issues facing our industry remain challenging, but I am sure that in the decade to come, Finlays will continue to play a leading role in promoting the goals set out in our sustainability strategy and thereby helping to build a sustainable future.

Guy Chambers
Group Managing Director

Finlays HIGHLIGHTS

This edition of the Finlays Sustainability Report marks the tenth anniversary of reporting sustainability within our global operations.

Over the 10 years Finlays has achieved a number of notable milestones, objectives and targets and we have learnt a lot as a company throughout this period.

In 2009, we launched our first sustainability strategy, setting stretching goals, commitments and targets, which have assisted us in working strategically towards building a sustainable business. Our Sustainability Committee was established, Finlays appointed a Group Sustainability Manager and a formal allocation of responsibility for Sustainability was made, in all our operations, globally. We also reported formally for the first time on our activities during the year in our 2009 Sustainability Report.

Over the last decade, we have learnt that a long-term approach is more effective than short-term initiatives and shifted our focus towards delivering steady continuous improvement. The introduction of a more robust data collection and management system in 2016, enabled us to improve our data capture and analysis capability. This provided a platform for more detailed evaluation of our performance, the impacts of our work and savings that our initiatives generate within our business. In 2016, in response to the growing understanding of the impact that our business has on the environment, we launched our Environmental Policy. Our reporting focused on the environmental and social footprint of our business using five key objectives (Energy, Water, Waste, Carbon

and People) to enable us to effectively measure progress against our top line commitments. We began reporting the environmental impact of the sustainability report; the report is printed by an ISO14001 certified printer using vegetable based inks on 100% recycled FSC accredited paper, and the carbon is captured through the World Land Trust. As a culmination of our ten year journey, during 2018 we refreshed our strategy and introduced Sustainable Future. The refreshed strategy sets out six sustainability strategic objectives and targets that will guide our activities and priorities, reflecting the business Finlays is today and our vision to continue to lead the sector in this area tomorrow.

Ten years of highlights:



WATER

2,952,921 m³
Green water used in our operations.

2,430,888 m³
Recycled water in our operations.



ENERGY

85%
of our energy consumption is from renewable sources.

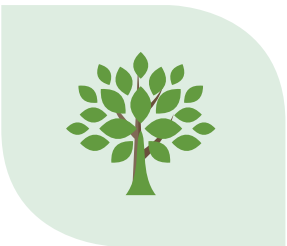
13,494,449 GJs
of renewable energy produced directly.



WASTE

80%
of waste diverted from landfill by reusing, recycling and recovering.

200,000 t
of waste recovered.



FORESTS

213 ha
of Mau Forest in Kenya rehabilitated.

100,000 ha
of forests to be protected by 2022.



SPECIES

Over 25,000
species identified.

Over 100 beehives established on our farms, providing pollination, secondary incomes and nutrition from honey.



PROTECTED

Over 100,000
indigenous seedlings provided in Kenya, Argentina and Sri Lanka.

Over 5,000 ha
of natural habitats conserved within our property.



CERTIFICATION

Over 90%
of coffee sourced certified (Rainforest Alliance, Fairtrade, UTZ, Organic).

100% Certified
tea grown in Kenya, Argentina and Sri Lanka.



COMMUNITY

Over 20,000
smallholders supported.

Over \$5 million
in community investments.

About FINLAYS

Finlays has a rich history as the industry’s trusted leader in the supply of tea, coffee and botanical extracts to the world’s beverage brand owners.

Our vision is to continue to grow profitably and sustainably. Our mission is to connect humanity through natural beverages by combining tradition and innovation to bring the best from bush to cup, as sustainably as we can. By providing differentiated products we help beverage brand-owners meet the needs of consumers by being a trusted supplier and managing transparent supply chains. We focus on building direct, long-term relationships with our customers and our suppliers.

Finlays operates in many parts of the world, across a diverse spread of geographies, local cultures and languages. While respecting our local cultures, we also seek to build a common operating culture. We operate a customer-focused commercial function to support customers around the world to supply tea, coffee, tea and coffee extracts and botanical extracts, either from our own facilities or those of others. We act as a trusted global business partner. We have a unique position in that we own and operate a vertically integrated global supply chain, which spans farms and direct contracts in all major tea, coffee growing regions, some of which we have owned for over a century of bringing the best from bush to cup.

We aim to be the preferred partner and source of tea, coffee, botanical extracts for the world’s beverage and food service brands, whilst managing transparent supply chains to bring the best from bush to cup.

WHO WE ARE

Trusted. Sustainable. Innovative.
These values are the cornerstone
of what we do at Finlays.
We are committed to a
Sustainable Future.



TEA
ESTATES



BEVERAGE
PACKING



SOURCING
& SUPPLY



EXTRACTS &
INGREDIENTS



INNOVATION



VENTURES

Finlays NETWORK

We employ over
24,000 employees, globally.

Our primary markets are in the UK, Europe, USA and Asia.
Total Net Sales: US\$545,137,000
Total Capitalisation broken down in terms of debt and equity:
Debt: US\$109,580,000; Equity: US\$511,151,000



- Trading/ Sales Offices
- Tea Estates
- Manufacturing Sites
- Blending
- Packing Facilities
- Innovation Facilities

Finlays FAST FACTS

Tea



18.2m *kg*

of extracts manufactured and traded.

46.3m *kg*

of tea produced from our own tea estates in Kenya, Sri Lanka and Argentina.

72.0m *kg*

of tea traded from our global supply offices in UK, Kenya, Sri Lanka, UAE, Malawi, Vietnam, Indonesia, China and USA.

2.4m *kg*

of decaffeinated tea manufactured and traded.

11.7m *kg*

of tea blended and packed.

Coffee



6.3m *kg*

of coffee blended and packed.

7.5m *kg*

of coffee extracts traded.

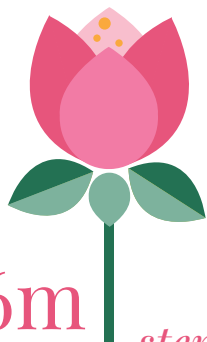
7.4m *kg*

of coffee extracts manufactured.

6.8m *kg*

of cold brew coffee manufactured and traded.

Flowers



126m *stems*

Produced in Kenya for the UK and Continental Europe.

Rubber



1.2m *kg*

of rubber latex produced in Sri Lanka.

Coconut



862,000 *nuts*

RA certified coconuts produced and sold.

Timber



207,000 *kg*

of sustainable timber produced in Kenya and Sri Lanka.

Botanicals



19.7m *kg*

of herbal infusions and other extracts including fruit, vegetable and sweeteners manufactured in China.

Ancillary crops



1.0m *kg*

of ancillary crops produced in Sri Lanka including cinnamon, pepper and cocoa.

Finlays APPROACH

Finlays is led by the Group Managing Director, supported by the Global Executive Board, reporting to James Finlay Ltd Board.

Finlays is a wholly owned subsidiary of John Swire and Sons Limited (“Swire”). Swire believes sustainability is an opportunity: for innovation, for growth and for improved efficiency. Swire is committed to the sustainable development of our businesses and strives to minimise the environmental impact of our activities and carefully consider the needs of our communities, making positive contributions wherever we can.

Finlays is led by the Group Managing Director, supported by the Global Executive, reporting to the James Finlay Ltd Board (‘the Board’). Responsibility for sustainability sits with our Group MD, our Group Director of Corporate Affairs and our Sustainability Group Function, with certain elements delegated to members of Finlays Global Executive.

Sustainability is reported twice per year to the Board and to the Swire Sustainability Committee as standing agenda items. Our sustainability strategy, Sustainable Future, and the six sustainability strategic objectives,

OUR COMMITMENT

Finlays not only seek to protect and enhance the environment and biodiversity surrounding our operations; we ensure the safety of our employees and look to empower local communities.





are aligned with our core business strategy, values and vision. Each of our six sustainability strategic objectives has a Global Executive sponsor, supported by working groups made up of experts from all our global regions.

Our Sustainability Group Function is based in our London head office and provides oversight, facilitation and guidance to all global business regions. The Group Sustainability team is supported by the integration of sustainability responsibilities throughout the organisation, where commitment is owned by each business region head and their senior managers across our operations.

Our sustainability strategy, supported by our environmental policy seeks to protect and enhance the environment and biodiversity surrounding our operations, ensure the safety of our employees by executing a robust occupational health and safety management system and seeks to empower local communities.

Legal & Governance

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 two Executive Directors responsible for various aspects of the business, one Non-Executive Director representing the shareholder, John Swire and Sons Limited, and three Independent Non-Executive Directors.

Philippe de Gentile-Williams

Non-Executive Chairman

Guy Chambers

Executive Director – Group Managing Director

Julian Rutherford

Executive Director – Group Finance Director

Martin Cubbon

Non-Executive Director

Stuart Strathdee

Independent Non-Executive Director

David Johnston*

Independent Non-Executive Director

Christiane Kuehne

Independent Non-Executive Director

The Chairman of the Board is Philippe de Gentile-Williams who is a Group Staff Director at John Swire and Sons Limited.

Divisional Boards

Each Business region 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 has 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 of two Independent Non-Executive Directors utilising 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.

*David Johnston's term on the board ended in April 2019.

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, the UK Bribery Act, and the Modern Slavery Act. All relevant staff have been given appropriate training on these and other issues.

Each business region 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 routes to engage in 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 survey, conferences, workshops, magazines and newsletters.

Governance

Group Operating Companies

- James Finlay Limited
- James Finlay (Kenya) Limited
- Hapugastenne Plantations PLC (90%)
- Newburgh Green Teas (Pvt) Limited (54%)
- Udapussellawa Plantations PLC (91.8%)
- Casa Fuentes SACIFI
- Finlay Extracts and Ingredients UK Limited
- Finlay Extracts and Ingredients USA, Inc.

- Finlay Tea Solutions UK Limited
- Finlay Hull Limited
- Finlay Vietnam Limited
- James Finlay (Blantyre) Limited
- James Finlay (ME) DMCC
- James Finlay Mombasa Ltd
- Xiamen James Finlay Limited
- Finlay Beverages Limited
- Finlays Colombo Limited (99.8%)
- Finlay Properties (Pvt) Limited
- Finlay Cold Storage (Pvt) Limited
- Finlay Rentokil (Ceylon) (Pvt) Limited
- Finlay Insurance (Brokers) (Pvt) Limited
- Finlays Maldives (Pvt) Ltd
- Finlays Linehaul Express (Pvt) Ltd (50%)
- Damin Foodstuff (Zhangzhou) Co Ltd (49.5%)
- Argente SA
- Finlay Tea Solutions (Hong Kong) Ltd
- Finlay Instant Tea (Pvt) Ltd
- Finlay Tea Solutions Colombo
- Finlay teas (Pvt) Ltd
- Finlay Airline
- Aspen Enterprises Ltd
- Aspen Management Company LLC

Scope of Report

This report includes information from our global network of operations and spans all our products and services, except as set out below.

This report highlights the work we are doing in sustainable development and in line with our six sustainability strategic objectives; Integrated Landscapes, Land Stewardship, Low impact operations, Our People, Empowered Communities and Sustainable Supply. These areas are critical to our business and are also where we know we can and do have the greatest positive impact. Based on our stakeholder-engagement efforts, we also believe these areas are important to our customers, our partners, our employees, non-governmental organisations (NGOs) and stakeholders.

Exceptions to full disclosure:

- Tea trading offices in Dubai, Indonesia, Vietnam and Malawi, report volumes traded, Occupational Health and Safety (OHS) and partial scope 3 data,





- due to the small size of their offices.
- Damin International Holding Limited's data is now included in all aspects of this report. Within profit this is reported at share percentage of 49.5%, economic contribution figures are at an average share percentage of 49.5% and production volumes and environmental performance is included at 100%. Damin is the largest tea extracts producer in the world.
 - Aspen Beverage Group was acquired in June 2017, the group's performance data is only included in total capitalisation and production volumes. Aspen has increased our market share in the Cold-Brew coffee sector in North America.

Reporting period: the report follows a calendar year for 2018. Annual reports have been produced since 2009.

Our methodology uses the indicators included in the Global Reporting Initiative (GRI) guidelines, with carbon measurements based on World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), GreenHouse Gas (GHG) Protocols. Finlays uses CRedit360/Pure programme to manage our sustainability data for reporting, tracking key performance indicators and providing ongoing visibility into our global operations. This report has been prepared in accordance with the GRI Standards: Core option.

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

Sustainability
Finlays, Swire House,
59 Buckingham Gate
London, UK, SW1E 6AJ

Modern Slavery Statement

Finlays recognises that modern slavery as an issue has become increasingly visible, particularly in the UK. As a business with both a history and an ethical framework of good employment practice, Finlays takes its commitments under the Modern Slavery Act very seriously and many of its existing initiatives, policies and procedures go beyond the minimum standards set out in the Act.

We have put in place measures to prevent, detect and manage incidences of modern slavery, and engaged with a number of stakeholders including the Ethical Trading Initiative (of which it is a Group-wide member) and Stronger Together: an organisation focused on raising awareness of and providing training for the prevention of modern slavery.

We have initiated a number of steps across the Group to ensure we go beyond mere compliance, including: risk assessments across our regions, develop informed actions plans, conduct training and develop and communicate best practice and Inclusion of modern slavery detection in our internal audit risk cycle.

Sustainable FUTURE

Finlays is committed to creating a sustainable future.

It’s the only future we have.

Being sustainable and ensuring we operate ethically and responsibly has been a core value in our business, since inception in 1750. Uniquely operating across the entire value chain, we are keenly aware of the economic, social and environmental impact of our activities. To bring the best from bush to cup, Finlays aims to create a truly sustainable future which is good for business, people, communities and the environment. Ensuring sustainability is not simply a list of commitments or objectives, but rather that it is about creating long-term business that provides value to all key stakeholders. We believe in the importance of ensuring sustainability remains embedded in our business and our supply chains, for years to come.

In line with this our refreshed and renewed sustainability strategy, Sustainable Future, launched in 2018, supports our heritage, mission and values. Sustainable Future is supported by six sustainability strategic objectives that cover bush to cup across all aspects and regions of our global operations. Our commitment to, and adoption of, these sustainability strategic objectives and targets, demonstrates our path to sustainability. We aim to achieve our targets set by 2022, in support of this we are undertaking a number of projects, initiatives and programmes, throughout our global operations.



Sustainable Future



Integrated Landscapes

Protect and enhance 100,000 hectares of natural forest by 2022.

Tea and coffee are dependent on the people, communities and natural resources in the wider, external landscape. To sustain these and our operations we will work towards an integrated landscape.



Land Stewardship

Reduce agrochemical usage by 50% by 2022.

Finlays recognise that good agricultural practices and land management are essential to be economically and environmentally sustainable. We will practice and demonstrate outstanding land management.



Our People

Increase participation of women in all levels of management to 30% by 2022.

Our employees are at the heart of our business. Finlays is committed to being an employer that demonstrates opportunity, fairness and equality, providing an inspiring fulfilling and adaptable workplace.



Low Impact Operations

Reduce the environmental impact of our operations year on year by 2022.

Finlays recognise that effective and efficient management of resources is not only good for the environment, it is also good business practice. We will reduce impact by decarbonising and minimising water usage, waste and pollutants.



Empowered Communities

Make a positive impact within the communities by 2022.

Finlays commit to empowering local communities by acting as a catalyst for positive change. We aim to be responsible members of communities in which we operate and where possible, to generate positive impact on society.



Sustainable Supply

100% traceable, transparent supply to internationally accepted standards by 2022.

Finlays commit to providing responsible and traceable supply of all raw materials and influencing our supply chains through sharing best practice.



Integrated Landscapes

Finlays will protect and enhance 100,000 hectares of natural forest by 2022.

Tea and coffee are dependent on the people, communities and natural resources in the wider, external landscape.

To sustain these and our operations we will work towards an integrated landscape.



All landscapes are unique, with differing challenges, influences and pressures on them. Taking an integrated landscapes approach enables us to take a holistic view and enact holistic action on some of the most crucial challenges within these differing landscapes. This approach is about balancing competing land use demands in a way that is best for human well-being, the environment and biodiversity. Whilst seeking to address the increasingly complex and widespread environmental, social and political challenges that transcend traditional boundaries. These include not only the physical characteristics of the landscape itself but includes all the internal and external socio-economic and socio-political drivers, too.

To meet our 2022 target to protect and enhance 100,000 hectares of natural forested land, globally, we are taking an integrated landscape approach. The complex landscapes of coffee and tea are intrinsically connected to landscapes; (biodiversity, forests, communities and watersheds), globally. The challenges these landscapes are facing include; climate change, degrading biodiversity and natural resources, community livelihoods, poverty, aging workforce in rural areas, food security and sustainable development.

These are all very complex challenges which cannot be resolved overnight, however, working within partnerships and multi-stakeholder project groups, in a number of regions means we are taking steps towards enhancing and protecting the landscapes around us. We are working towards finding tools and concepts that consider livelihoods, rights, restoration and progress towards climate resilience and sustainable development. We believe in achieving sustainably integrated landscapes, which will provide sustainable goods and services that are valued and sought after. Including sustainable livelihoods for communities within these landscapes.

Integrated Landscapes in Kenya

Since 2015 Finlays has been working with IDH and ISLA (The Initiative for Sustainable Landscapes-Kenya) in the South West Mau Forest in Kenya to buffer, protect and conserve 60,000 hectares of natural forested land by 2030. ISLA's holistic management focus is on four key areas;

forest conservation, improved water access and quality, sustainable livestock management and renewable energy solutions. ISLA is made up of partnerships with IDH, National Government agencies, County Governments, tea, energy and timber companies as well as a range of civil society and knowledge institutions.

The South West Mau Forest Reserve is a critical water catchment area and biodiversity habitat that faces major conservation challenges. The micro-climate and water provision of the forest is relied on locally, and internationally, by communities, farms, reserves, fauna and flora. The Stawisha Mau Charitable Trust was launched in January 2018, to ensure the focus on conserving and restoring the degraded forest remains active, collaborative and continues to achieve long-term protection of the forest, forest resources and forest communities. Forest conservation activities are focusing on preserving and where possible, rehabilitating degraded areas. Since 2016, all degraded areas along Finlays boundary, amounting to approximately 13 hectares, have been rehabilitated. The ISLA project partners have rehabilitated more than 200 hectares of forest through the ongoing "adopt-a-forest" scheme and plan to do much more. The "adopt-a-forest" programme is supported by Finlays, Unilever Tea Kenya, KTDA, Safaricom Foundation and Nyayo Tea Zones Development Corporation, amongst others.

The livestock programme is a pilot with SNV and co-funded by tea companies and Finlays. It covers 200 lead farmers along the north-eastern boundary of the South West Mau, an area where cattle grazing is a contributor

'The Mau Forest Reserve is a critical water catchment area and biodiversity habitat that faces conservation challenges.'



to deforestation. Farmers are trained, mentored, and coached to adopt best livestock practices. Improving livelihoods, while reducing livestock encroaching on the forest. As part of the water security within the landscape, Finlays together with other partners, has rehabilitated two community springs, Sinei spring and Kipchobos spring, providing up to 15,000 people with access to clean water on a daily basis (see page 47 for detailed update).

Key field activities in 2018 included:

- Feasibility study for the construction of a game-proof fence.
- Building capacity of local communities within livestock production to reduce the pressure on the Mau.
- Rehabilitated over 200 hectares of forest.

Towards 2020, the Group’s priorities will include:

- Livestock programme and other projects to reduce pressure on the forest and improve livelihoods.
- Continue with the Bongo surveillance programme; the role of government agencies such as the Kenya Forest Service and the Kenya Wildlife Service will remain critical in addressing illegal activities in the forest and promoting conservation.
- Continue with aerial surveillance programmes and water security initiatives.
- Alternative livelihood activities are being designed to support and encourage development of skills and capacity within the community; bio-enterprise, such as honey production and encourages the use of alternative energy solutions.
- Conduct socio-economic survey of the forest adjacent communities to gain a better understanding of the specific issues impacting those communities.
- Continue joint interventions to buffer, protect and conserve the forest. Including conservation education for local schools and communities.

Integrated Landscapes in Argentina

With our tea farm operations in Argentina, we are aiming to protect and enhance 25,000 hectares of natural forest by 2022. For us to achieve this we are looking to implement the concept of ‘green corridors’. The green corridors aim to link segregated natural forested land,

through these rehabilitated corridors. In doing so the corridors will join areas of established Atlantic Forest and allow the passage of wildlife to roam and increased biodiversity. The Misiones province plays host to 45% of the last remaining Atlantic Forest in the world. Having carried out a biodiversity study last year on our tea estates in Misiones, we are keenly aware of the rich biodiversity this forested land offers, bringing with it innumerable benefits of resources and ecosystem services, which incentivise the importance of protecting and enhancing what we can. For the provision of indigenous species to rehabilitate the green corridors, we are establishing a 3.25 hectares nursery within one of our estates, Campo Grande, to nurture and establish seedlings that will be used to assimilate the forest rehabilitation and green corridor expansion. We are currently nurturing 400 tree seedlings and ensuring optimum soil conditions within the nursery.

Landscapes are inherently connected to integrated watersheds; in Misiones we continue to conserve and enhance the water catchment area of the Tabay river basin and its tributaries, to improve the quality of life for the people who live around the basin. Finlays Argentina has been effective in the protection and enhancement of areas within and adjacent to the Tabay river, establishing working groups and a protection committee within most municipalities, ensuring a constant and reliable supply of water from the basin. In 2018 the Tabay River Basin Committee celebrated 10 years of commitment and conservation work of the river basin. The committee is working to conserve approximately 750 hectares, through enhancing and conserving biodiversity and natural reserves, sustainable livestock management and community wellbeing and livelihoods initiatives. In one tributary neighbourhood, Los Teales, we have partnered with local paper and timber companies to work with local communities focusing on river bank restoration with indigenous species, river clean ups to increase quality of the water

source, along with road development and community training on conservation, waste collection, amongst others, to ensure a wider impact from our activities.

Integrated Landscapes in Sri Lanka

Our Sri Lankan tea growing region of Rakwana, contains the Walankanda forest reserve in the north and the UNESCO world heritage site, Sinharaja Forest reserve in the south. The area is rich in biodiversity but suffers from complex multi-stakeholder landscapes with complex challenges. The competing uses of the landscape include food crops, rice paddies, biodiversity, tea and communities. Communities and biodiversity depend on natural resources of the region for water, medicinal supplies, food, livelihoods, homes, and energy sources.

In this region, Finlays Sri Lanka is working with others to create a connected forest corridor through our Depedene tea Estate, connecting Walankada Forest Reserve to Sinharaja Forest reserve. This green corridor is uniquely important as the reconnection aims to help protect and create the safe passage of two wild elephants that remain in this area. The corridor should encourage these two elephant brothers and other wildlife to move freely to a safe reservation area, avoiding any human – elephant conflicts and effectively combining protecting the community with protecting the environment and biodiversity. In this project we are working with the the state wildlife conservation department and the support of the government forest department, who have committed to providing 20,000 seedlings for planting. As with all integrated landscapes initiatives, without the participation of local communities, the integration would not be successful. With this in mind we are organising community awareness programmes for the:

- estate community
- youth club
- welfare society
- buddhist temple society
- school children

In addition to the above, we plan to open and support community based nurseries to provide the indigenous species required to rehabilitate the green corridor and protecting natural forest boundaries.





Land Stewardship

Finlays will reduce
agrochemical usage by
50% by 2022.

At Finlays we recognise that good agricultural practices and land management is essential if we are to be economically and environmentally sustainable.

We will practice and demonstrate outstanding land management.



At Finlays we recognise that high quality land management is essential to sustaining the viable cultivation and growth of teas, coffees and botanicals.

Being good land stewards is important to us, our customers, consumers and our biodiversity. To ensure we produce, grow and supply sustainable products, in a sustainable way for a sustained future in years to come, we need to ensure we practice good agricultural practices (GAP) and, share best practice with our supply and value chains.

Adopting practices such as sustainable agricultural standards (SAN), reducing agrochemical use and applying agroforestry concepts, increases farm resilience, improves soil health, yields and quality. All our Finlays owned tea estates operate within the SAN framework, GAP and practice the concept of going beyond certification standards of operation. Our teas and coffees are certified to a variety of third-party certification and auditing bodies, including (and not limited to); Rainforest Alliance, Fairtrade, Organic, UTZ, BRC, and comply with our internal environmental, quality and regulatory policies.

The concept of increased biodiversity working favourably with the production of tea and coffee is not new, and considering that these crops are predominantly forest flora, the re-emerging concept of agroforestry, is fitting. In some of our estates in Sri Lanka we have adopted aspects of agroforestry to ensure we are increasing the health and productivity of land, while increasing biodiversity and livelihoods. We have diversified some of our estates to grow ancillary crops in a long-term initiative to re-establish the fertility and productivity of underperforming land. The increase in yields for these estates, demonstrates benefits of being the best land stewards we can be.

This concept of increased biodiversity is brought to life with practices being implemented by two inspirational coffee farmers from Yali in Nicaragua, Ramon and Darwin, who have been supplying coffee to Finlays for years. Over the past six years these farmers have transformed a barren hillside into a functioning coffee farm. The farm has brought local biodiversity and most importantly water back to the area, through creating micro-climates through increased biodiversity in the

area. As a result of their hard work they gained Rainforest Alliance certification two years ago. It is important to appreciate the suppliers and farmers in our supply chains that work hard to protect and conserve their landscapes so that we can enjoy quality products for many years to come. Finlays ethically sources 99% of our green coffee beans directly from farmers or mills. Smallholder agrobiodiversity plays a crucial role in addressing the challenges presented by global environmental change and securing a sustainable future.

At Finlays we believe in land-use practices that minimise our footprint and any negative impacts on the environment, and rather act towards safeguarding the environment, yields and communities. Ensuring we share expertise and best practice means that what is grown is economically and environmentally sustainable, taking steps to future-proofing crops.

Conserving biodiversity through good agricultural practices, are good for the environment, good for community and farmer health and good for yields.

*‘Conserving biodiversity through
good agricultural practices, is
good for the environment, good for
community and good for yields.’*



Land Steward Trial Update

As part of our objective to be good land stewards, a number of our regions are conducting trials on ways to improve the health of our soils, increasing quality and yields, whilst finding resistance to pests and disease and climate resilience in our crops.

We continue to look for alternatives to pest control, including the study of how to effectively manage weed control within our tea estates. Weed management is different in each region and sector; each having their own unique challenges. In Argentina we are looking to mechanical weed management techniques. In Kenya we are running trials on natural weed management alternatives and increased mechanical weeding. The re-growth of the different methods has presented some interesting results, in our trial that aims to evaluate different management practices to eliminate the pest and to determine how the bio-chemical composition of tea bushes influences differing pests and diseases.

In Sri Lanka we are experimenting with vetiver grass boundaries which are proving effective and useful in nematodes management. Our nurseries do not use any chemical control on these soil worms but rather propagate seedlings in soils adjacent to the vetiver grasses.

An important tool in soil health and weed management is groundcover. In Sri Lanka not only does this enable healthy soils to prevail but it also aides soil runoff and stabilises soils, which decreases the risk and severity of landslides. Due to the topography of the tea growing regions in Sri Lanka, the steep slopes make the region more susceptible to landslides. Throughout our estates, globally, groundcover is key for a number of reasons; increasing organic material for the soils, increasing water retention within the soils, supressing, weeds, and increasing soil health and soil stabilisation.





Our People

Finlays will increase participation of women in management in all levels to 30% by 2022.

Our employees are at the heart of our business. Finlays is committed to being an employer that demonstrates opportunity, fairness and equality, providing an inspiring fulfilling and adaptable workplace.



Our employees are at the heart of our business and we are committed to being an employer that delivers opportunity, fairness and equality, providing an inspiring, fulfilling and adaptable workplace. Ensuring our employees are safe and healthy in the workplace is important and is demonstrated through our 'Always Safe' programme.

We value diversity and inclusion. Globally, gender inequality in the workplace remains a complex issue in all regions and sectors. In Kenya, we have a Gender Equality and Diversity Policy in place, which has initiated equality programmes to increase the role of women within our industry. With these initiatives we are already making great progress towards achieving gender equality.

Partnering for PosiTEAve Change

Starbucks has been a customer of Finlays for many years, and recently the relationship has been strengthened to include projects designed to empower and develop the potential of communities in Kenya and Sri Lanka.

Like Finlays, encouraging sustainable business practices and developing people are two of Starbucks' core values. Their mission is to 'inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time' an aim which applies throughout their supply chain from suppliers to customers.

The projects have been designed in collaboration with Starbucks and targets issues which are important to the communities concerned. Crucially, funding is coming directly from the sale of tea, providing further opportunities for the projects to grow and the people involved to prosper. In Kenya, a project has been set up with two separate components; management training and entrepreneurship training. Management training seeks to address gender inequality through the development and empowerment of young women to enable them to take on management positions and more responsibility.

People Protection

Finlays is working with IDH in Kenya, responding to a call to action to prevent gender-based violence and

sexual harassment. Understanding local challenges with Gender Based Violence (GBV) and applying training and awareness sessions with accessible solutions is pivotal. During 2018, we trained 4,239 people, (2308 male and 1931 female). Included in the training sessions, were village elders, who take learnings back into their communities. We have trained 700 Gender and Village Committee members on response to, monitoring and reporting on GBV.

In addition, we held mentorship programmes with our students from Chemasingi Secondary school and recently held a graduation ceremony for the completed mentorship programme. The training has included training Teacher Counsellors on Human Rights, GBV Prevention and Response. We held financial training for our employees, focusing on saving and getting out of the debt cycle. One cause of GBV is linked to the management of finances.

In the UK, Finlays Hull embarked on a major project to improve team spirit and the feeling of value of employees. The business looked at ways to improve working conditions, to reward staff and to celebrate success. They have supported employees outside of the workplace, including the sponsoring of two staff in their local Rugby League team and increasing physical and mental health awareness. Bringing discussions and awareness of mental health into the workplace and emphasising the importance of exercise and activity on wellness and mental health.

'With these initiatives we are already making great progress towards achieving gender equality.'



Gender Empowerment Update

During 2018 James Finlay (Kenya) (JFK) and the Kenya Institute of Management launched a women in future leadership training and development programme for women in senior management.

The programme recognises the cultural complexities of the role of women in society as well as the visible and invisible impediments they face when aspiring to senior management positions, within Kenya. Over nine months the course aims to develop leadership skills through self-discovery, case studies, mentorship and networking.

In addition to the women in leadership training, JFK initiated an apprenticeship programme for women in what were historically gender-biased roles. The apprentices undertook training in differing skillsets such as plumbing, mechanics, machine operators and electricians in partnership with Olessos Technical and gaining experience on the job at JFK. They took competency exams offered by Kenya National Examination Council, this year and we are proud to report that ten apprentices graduated.

Health & Safety

Finlays progress with the ‘Always Safe’ programme continues in pursuit of its aspiration to achieve Zero Harm across the James Finlay Group. ‘Always Safe’; Everybody, everywhere, every day, in everything we do, at work and at home.

In support of achieving Zero Harm and continued development of our Health & Safety (H&S) capability, a bespoke Always Safe Leadership course was developed in early 2018, the training includes a ‘Train the Trainer’ sessions enabling all our H&S Managers to be able to deliver the course back in their relevant business workplaces. The course takes participants through a series of sessions. To successfully complete the course participants must attend all modules, pass a test and complete a workplace risk assessment project.

In the first year running 180 participants successfully passed. The delivery of the Finlays Always Safe Leadership course, including training more trainers, will remain a key initiative for 2019. Further achievements

in the year include nine corporate OHS audits being completed which recorded an improved average score from 78% to 80%. A revised, and more robust audit format, based on the new International OH&S standard, ISO 45001:2018, was developed and planned integration across our global operations in 2019.

Our Performance in 2018, when comparing calendar year performance between 2017 and 2018 demonstrates good ongoing improvements, as depicted in the table below:

2017-2018 comparison	2017	2018	Difference
Lost Time Injury (Frequency) Rate:	0.21	0.16	-24%
Lost Working Hours (Severity) Rate:	48.19	19.68	-59%
Lost Time Injury (Frequency) Rate:	32.46	43.39	34%

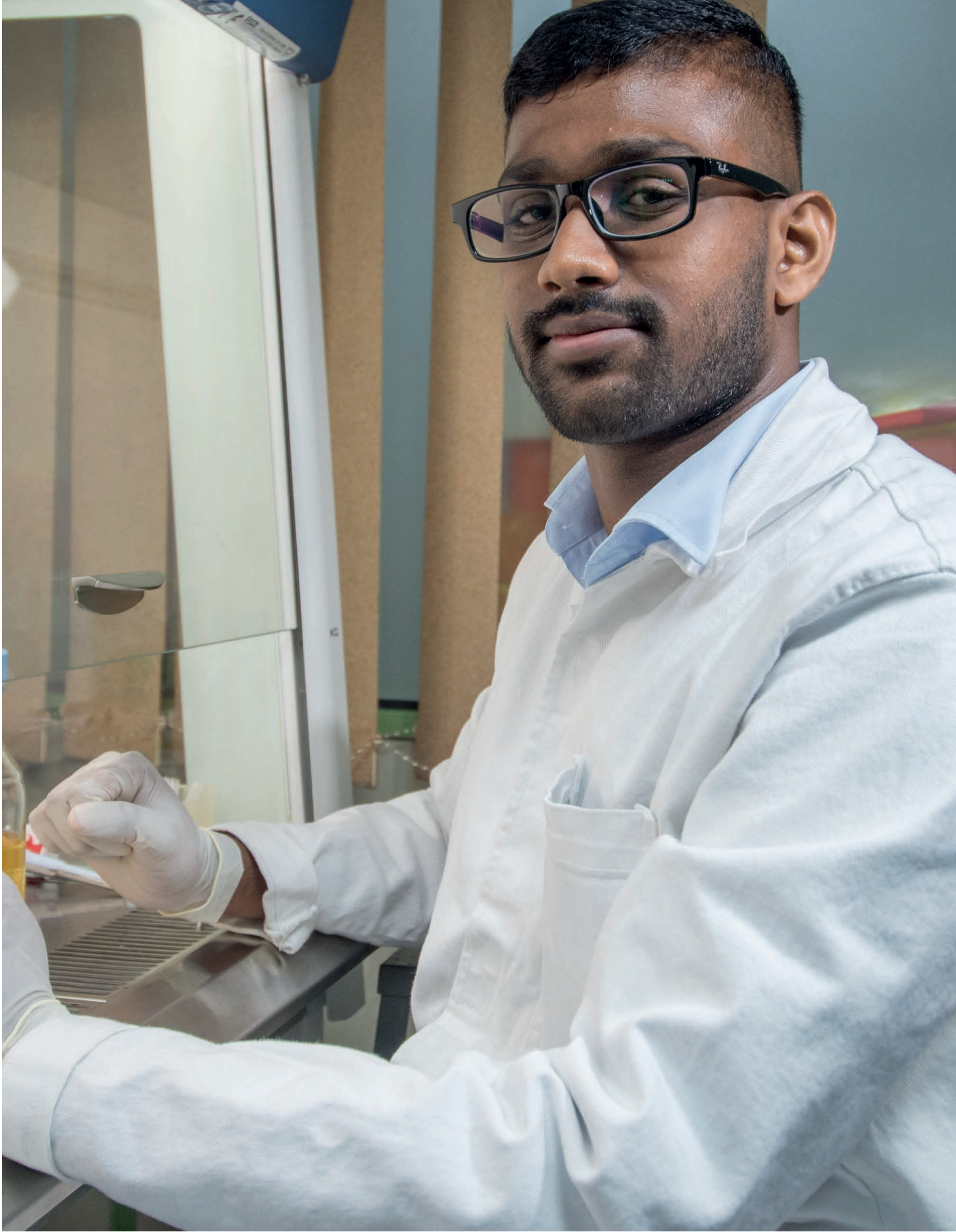
Notes:
Hazards reporting is where unsafe acts or conditions are identified and spotted before result in near misses or accidents and demonstrate employee engagement. Rates are calculated per 200,000hrs worked, which equates to 100 employees working 40 hours per week for 50 weeks of the year.

The very significant decrease in lost working hours is important as it indicates that not only are there fewer lost time injuries, but that those that do occur are of a less serious nature, whilst the ongoing increase in hazard reporting indicates ongoing growth in employee engagement and individual ownership of H&S.

All the evidence indicates that our Zero Harm strategy is working, we are developing an Always Safe culture, and we are demonstrating continual improvement.

The ongoing challenge is to sustain this continual improvement, which will inevitably become harder as we continue to drive accident rates down, and to continue to engage more of our people in our Always Safe programme.

Whilst not everyone can be a Safety Manager, everyone can be a ‘Safety Leader’, by taking responsibility for their own safety and that of their colleagues, and as a team we can achieve Zero Harm.





Low Impact Operations

Finlays will reduce year on year our environmental impact throughout our operations.

At Finlays we recognise that effective and efficient management of resources is not only good for the environment, it is also good business practice.

We will reduce impact by decarbonising and minimising water usage, waste and pollutants.



At Finlays we recognise that effective and efficient management of resources is not only good for the environment but is also good business practice. Our vision is one of a business that is environmentally sustainable, socially just and financially viable.

Understanding our global footprints allows us to implement steps and initiatives to reduce our environmental impact, year on year. Reducing the environmental footprints of our businesses is not only good for the environment, such practices have many economic benefits too. To achieve this, we aim to reduce resource consumption and waste production by moving towards low-carbon products and services and participating in circular economies.

We are turning today's waste into tomorrow's resource, through initiatives with our coffee granules going to energy and compost, tea waste is being transformed into biogas or compost. In the UK our zero to landfill waste initiative has seen our UK operations send zero waste to landfill for five consecutive years now. Reducing, recovering, reusing as much of our waste globally has been a waste initiative since our 2008 sustainability strategy. Bringing recycling and waste segregation into our tea estates in Sri Lanka, Kenya and Argentina over 10 years ago marked our commitment to ensuring we reduce any negative impacts on our environment, a commitment that is as strong now as it was then.

Responding to markets and customer requirements with innovative and sustainable solutions to packaging has been a key part of our waste and material objectives in 2018. Seeking innovative solutions to coffee and tea packaging has involved an exploration of bio-polymers and at-home composting. We have trialled new tea bag materials and explored recycling collection points for packaging in the UK. We still have further work to do in this area, but we remain excited and optimistic about the innovative journey ahead.

Finlays Kenya Energy Strategy

Energy efficiency activities in Finlays Kenya, have gained traction since the launch of our energy strategy in 2014 with continued efforts to implement energy saving

initiatives and looking to increase renewable sources of energy. This is in line with recommendations from the Energy and Petroleum Regulatory Authority (EPRA) in Kenya. This legal entity stipulates compliance levels to promote efficient energy use across industry.

These initiatives include entrenching behaviour changes among employees, machinery maintenance, equipment changes and technology interventions. In 2018, we measured the gains achieved having implemented energy audit recommendations during 2015 to 2018 and found our savings to be approximately 3%.

In 2018 our energy strategy focused on a number of initiatives which included:

- LED retrofitting
- High efficiency motors
- Variable frequency drives
- Energy saving fans and thermal steam systems – insulation, steam traps, wood stock sizes

We are training Energy Management Committee members to attain proficiency in monitoring, reporting and implementing saving initiatives. They will spearhead any innovative actions and continued reduction interventions to ensure the savings continue, in addition to driving behaviour change among employees.

‘We aim to reduce our resource consumption and waste production by moving towards low-carbon products and services and circular economies.’



Waste

Our aim is to reduce, reuse and recover as much of our waste produced as possible. In Argentina we remain part of a circular economy whereby we use waste wood pellets, and chips to provide power for our boilers. We have reduced our waste per tonnage of production by 50% this year.

We are working on packaging initiatives to further reduce waste associated with our products. In Sri Lanka we have moved away from paper, foil sacks to using recycled cotton sacks and reusable pallets to move our product around internally.

Reducing waste and thinking about how the waste we generate can be reused within our businesses.

Waste use (t)	2016	2017	2018	2017 v 2018
Total waste	45,264	87,016	66,229	-24%
Total landfill	12,346	9,049	7,268	-20%
Total waste recycled	1,646	6,173	2,801	-55%
Total waste recovered	30,744	36,637	38,569	5%
Total waste reused	528	35,157	17,591	-50%
Intensity Landfill (tt)	0.045	0.036	0.019	-47%
Intensity**	0.166	0.342	0.171	-50%

*Includes Damin data

**Total resource use / Production volumes in tonnes



Energy

In 2018 80% of our energy consumed was from renewable sources. This year saw our production volumes increase however, our energy consumption per tonne of production reduced by 42%, which is testament to the conservation work being done within our operations, globally.

Renewable energy being produced on our own sites includes solar, biogas, hydro and biomass. Our aim with energy is to be renewable and independent from the grids, where possible.

Reducing reliance on non-renewal energy and the emissions associated has been a requirement since our first sustainability report.

Energy use (GJ)	2016	2017	2018	2017 v 2018
Total	2,131,534.788	2,796,197.512	2,475,627.346	-11%
Direct non-renewable	184,016	171,195	219,792	28%
Direct renewable	1,788,096	2,269,191	1,880,990	-17%
Indirect non-renewable	82,260	246,073	278,590	13%
Indirect renewable	77,161	109,736	96,254	-12%
Intensity**	7.80	10.98	6.40	-42%

*Includes Damin data

**Total resource use / Production volumes in tonnes



Carbon

Industry initiatives around carbon disclosure, and active plans to reduce carbon emissions are increasing.

We undertake a variety of steps to reduce our carbon emissions within all of our operations. Last year we reduced our carbon intensity by 37%, primarily by looking to renewable sources of energy and continuing our carbon capture by planting over 10,000 trees in 2018, globally.

Cookstoves: In total we have installed a total of 2838 cookstoves within our employee houses, in Kenya. Saving approximately 5600 tonnes of carbon, in total, per annum. Next year we plan to install a further 1700 stoves. In 2018 we installed 2078 stoves saving approximately 4100 tonnes of carbon.

Companies are now facing mounting pressure from consumers, shareholders, governments internationally and staff to effectively address climate risk.

Carbon (CO ₂ e)	2016	2017	2018	2017 v 2018
Total carbon use	42,893	82,374	77,635	-6%
Total Scope 1 Emissions	13,130	11,999	14,453	20%
Total Scope 2 Emissions	18,571	59,424	53,637	-10%
Total Scope 3 Emissions	11,192	10,951	9,545	-13%
Intensity Carbon S1+S2	0.00016	0.2804	0.1762	-37%

*Includes Damin data

**Total resource use / Production volumes in tonnes



Water

Water is a vital resource in all landscapes. Water challenges to tea and coffee landscapes include climate changes, which are impacting on the occurrence of extreme weather conditions, such as droughts, during which periods increased water consumption is vital for crop protection.

Increased occurrences of heavy rainfall outside of rainy seasons is also creating challenges such as increased landslides in unprotected regions and challenges to sun drying coffee when the rainy season are lengthened into the drying seasons.

Water is critical for all biodiversity, the planet and all its inhabitants.

Water use (m ³)	2016	2017	2018	2017 v 2018
Total water	2,308,798	4,675,482	4,520,649	-3%
Blue water	1,921,603	3,633,204	3,221,801	-11%
Green water	328,269	291,302	369,759	27%
Recycled and reused	58,926	750,976	929,088	24%
Water use intensity**	8.453	18.351	11.690	-36%

*Includes Damin data

**Total resource use / Production volumes in tonnes





Empowered Communities

Finlays will make a positive impact in the communities within which we operate.

Finlays believes in empowering local communities by helping them to make a positive impact on the society around them.

This includes a commitment to gender equality in the workplace.



Finlays believes in empowering local communities by helping them to make a positive impact on the society around them. We aim to be good neighbours and active participants within local communities and commit to empowering local communities by acting as a catalyst for positive change in the regions where we have operations.

Throughout our businesses we are working with many communities on projects which have a positive and sustainable impact by empowering and supporting communities to make their own improvements. Finlays aim to share best practice, spend time in our local communities and develop local partnerships with key stakeholders. We are partnering in initiatives that develop skills, find alternative livelihoods and engage in security of livelihoods. Other projects are planned, within our global regions, to improve health and well-being through a series of programmes covering nutrition, the provision of cookstoves, social worker councils, volunteerism, training and education.



Fighting Hunger in the USA

In USA we have partnered with Connecting for Children and Families and began running a “Backpack Programme” in Rhode Island. A backpack programme is where a child is sent home each weekend with a bag of food. The children are from low income households and receive free breakfast and lunch at daycare during the week. They do not have the extra help over the weekend.

We chose to partner with Connecting for Children and Families in Woonsocket for several reasons. Woonsocket has the highest percent of children living in poverty in the state of Rhode Island, 16.6% percent of households are food insecure at least some time during the year. Backpack Programme has been helping children get the

nutritious and easy-to-prepare food they need to get enough to eat during the weekends. Our USA team are supplying a bag of food for 30 children every weekend.

Finlays USA continue to drive the programme ‘Fights Hunger’ through donations and volunteerism at a local soup kitchen. Extending the programme to more employees in 2018 and increasing awareness campaigns.

Water Rehabilitation

Access to safe, clean water is essential. Globally Finlays has been involved in water stewardship programmes with the aim to provide safe access to safe water. Water is as fundamental to communities as it is to agriculture; we have projects in Kenya, Sri Lanka and Argentina designed to improve and extend water supplies within local communities.

In Argentina our work within the Tabay river basin has sustained impact within the entire province of Misiones, ensuring the flow of water throughout the basin, as discussed on page 28.

In Sri Lanka, in the Badulla District of Uva Province, growing tea and rubber, the village of Hopton has a population of approximately 10,000, with 565 community members employed directly on the Finlays Estate. Within the region eleven villages, made up of 750 families, had no easy access to potable water. Our management team in Sri Lanka acted to improve the

‘Finlays believes in empowering local economies by helping them to make a positive impact on the society around them.’



communities’ access to reliable, quality water supply in 2018. In partnership with Government and Non-Government organisations, Finlays Sri Lanka developed and installed a water pipeline spanning 2.2 kilometres to the villages, developed and implemented a storage and filtration system with two holding tanks, with a capacity of 140,000 litres of water. The project is now operational, and the communities have access to potable water. The project will be sustained by community members paying a small fee for water to pay for the maintenance and upkeep of their water system. Additional funding was found for the provision of over 230 toilet facilities resulting in the initiative being adopted by the Sri Lanka Water and Sanitation Improvement Project.

In Kenya, the Seretut Spring Project was implemented under ISLA bringing together different partners; James Finlays, GIZ-IWaSP, ISLA, Water Resources Authority and Bellagio Construction Ltd. In June 2018 the water system was designed to efficiently deliver and distribute adequate water to meet the water demand for the entire area. The water was abstracted by constructing an eight-metre-long retaining wall across the spring eye, a spring box to ensure the water was delivered to the collection point eighty metres downstream through a gravity system. The collection point was enhanced to consist of a water fetching bay, wash basins and a cattle trough for livestock. A drainage channel conveys excess water back to the stream. Excess and waste water from the wash basin has been directed to a soak pit 20 metres away. As the access to the spring is within a steep valley, steps were constructed for ease of access.

Approximate beneficiary population includes: 300 households living around the spring. An average population of 1500 people now benefit from accessible water during wetter seasons of the year. During the dry season this increases to approximately 5000 households as people from further afield use the spring to collect their water requirements.

PosiTEAve Partnerships

In Kenya as part of our posiTEAve partnership with Starbucks, we are developing and implementing, entrepreneurship and vocational skills training for vulnerable people living on James Finlay Kenya’s tea

estates with the aim of giving them the necessary skills to allow them to become economically independent. In Sri Lanka our partnered project focuses on community development where Finlays have a long and successful history of implementing impactful sustainability initiatives as well as fostering positive community relations. Youth volunteer groups are being set up which will train and develop the skills of 58 volunteers to be ‘change agents’ in their communities to address issues such as waste and water management, health, hygiene, and community cohesion. By focussing on young women, we also hope to further address issues of gender discrimination and inequality as well as skills development. This project is due to run through 2019.

Economic Contribution

Finlays provides direct employment for over 24,000 people globally, having an impact on many more local economies within our regions of operation. By having equitable distribution, we help to eradicate poverty, reduce social inequality and raise standards of living. Our economic contribution includes: direct employment, buying from local, regional and global

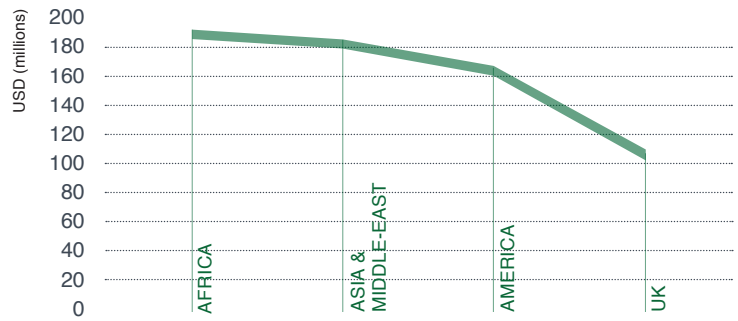
suppliers, alongside the distribution and retailing of our products. Whilst economic growth and development are key performance indicators within our business, our Group’s operations have clear sustainability objectives, echoing our commitment to creating a sustainable future. Working with communities to ensure skills development to benefit communities as well as ensure environmental protection.

In the year ending 31 December 2018, Finlays generated \$648 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. In 2018, the economic value retained was \$44 million.

Finlays works collaboratively with smallholders in many markets and through various projects with farmers. We help provide them with a fair 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.

Economic value generated by region

Economic evaluations and reporting are reported in US dollars.



*Damin is included at 49.5% proportion



ECONOMIC CONTRIBUTION
DIRECT ECONOMIC VALUE GENERATED

\$458m

OPERATING COSTS
Costs of materials, services and facilities.

\$106m

EMPLOYEE WAGES AND BENEFITS
Costs of employees' salaries and benefits.

\$8m

PAYMENTS TO PROVIDERS OF CAPITAL
All financial payments made to the providers of the organisations capital.

\$22m

PAYMENTS TO GOVERNMENT
Tax paid including remittance taxes and excise taxes.

\$1m

COMMUNITY INVESTMENTS
Voluntary contributions and investment of funds in the broader community.

\$44m

ECONOMIC VALUE RETAINED



Sustainable Supply

Finlays will have 100% traceable, transparent supply to internationally accepted standards by 2022.

Finlays recognises the increasing demand to be transparent and responsible.

We commit to providing responsible and traceable supply of all raw materials and influencing our supply chains through sharing best practice.



Sustainable supply relationships are important to us. We pride ourselves of having century-old supplier relationships still in place and ensure they will be with us long-term, creating sustainable relationships. We are proud of working directly with producers and having our long standing relationships with our suppliers. We have relationships with farmers from around the world stretching back for decades. Understanding where our products come from and how they are produced is critical to ensuring we have a sustainable supply chain.

We have a unique global network that enables us to source any varieties of tea, coffee and, increasingly, botanicals and can source certified, ethically produced products, ensuring traceable and transparent supply. This allows us to understand what our supply and value chains look like and brings us and our customers closer to our supply and value chains.

Sustainable Coffee Sourcing

The importance of sustainability and traceability in tea and coffee supply chain is increasing within the industry, as customers and consumers demand greater information on where and how their beverages are produced. At Finlays we build on our long-term, direct relationships with our suppliers and we believe that future growth and prosperity for all those in the supply chain lies in this sourcing method and our aim is to be the buyer of choice for our chosen coffee cooperatives, globally. Our relationship with the Cooperativa de Produtores de Cafés Especiais de Boa Esperança (Asscostas), a coffee cooperative in Brazil, is strong and growing since 2008.

In 2008 Finlays introduced Asscostas to an international exporter who was able to start milling and exporting their coffee internationally. In 2014 Asscostas were able to build their own mill, warehouse and export internationally themselves as well as opening new offices, a successful roastery and coffee shop in 2016. Finlays has benefitted from a guaranteed source of supply and consistent quality, even during the drought of 2014, as well as adding value to some of our blends by referencing the provenance on retail packs.

In Colombia, we buy coffee from a Fairtrade Cooperative called APECAFEQ in the town of Quinchia. The cooperative was founded in 1994 in order for local farmers to market their coffee internationally, and became Fairtrade certified in 1995. The cooperative comprises of 550 farmers, 40 of who practice organic cultivation.

Up until 2007, the town of Quinchia had a history of being one of the most dangerous towns in Colombia; nestled high up in the mountains with dense rainforest on the other side, the town had challenges with Guerrillas who tormented Colombia over many years. The Finlays-Qunichia Sundried programme has helped to improve the lives of the farmers from this region and since we have been buying from them, the whole social atmosphere in the town has changed. APECAFEQ has built new fermentation tanks with Fairtrade premiums on over half of their members farms and over the next year they intend to install fermentation tanks in all the members farms. APECAFEQ has also installed rain water collection devices in most farms. These allow rainwater to be collected which is then used in the washing of coffee, ensuring that water for washing the coffee is not taken from the local water supply. Using revenues from further coffee purchases by Finlays, the cooperative has also been able to construct a small scale roaster, tasting lab and coffee shop to sell the farmers products both locally and internationally.

We buy our coffee in containers directly from the cooperatives to ensure that we have full traceability of our supply chain and that the money we pay benefits the farmer directly. Since 2010 we have bought over 900 metric tons of coffee under this project, generating over \$450,000 in premiums for the community.

Finlays PRODUCERS

Meet some of the tea and coffee supplier partners, within our global network.

Coffee Producers, Ethiopia

Oromia is one of the largest Fairtrade coffee producers in Ethiopia and became Fairtrade accredited in 2002. Finlays first started buying coffee from Oromia in 2010 and since then their net revenue from Fairtrade has increased by 84%. The premiums generated from the sales of Fairtrade coffee since 2011 have benefitted the cooperative and its members immeasurably. The cooperative has focussed their efforts on increasing yield, organic fertilisation and a health and education programme. This has improved farmers income and lives.



Coffee Producers, Guatemala

Fedecocagua are a cooperative union based in Guatemala. We have been purchasing coffee from them since 2013 and use this in our blends for customers. Finlays have been working with Fedecocagua to test different on farm processing methods to see how these affect the quality of the final product, in aid of finding best practice and product for all. Fedecocagua champion women's coffee and women management of the cooperative. A practice that aligns with Finlays objectives and values on gender empowerment. We use coffee bought from this cooperative in ranges of roasted beans and ground coffee blends.

Caroline Chepkoi, Kenya

Caroline Chepkoi, is a tea farmer in Kenya who supplies green tea leaf to Finlays and has done so since 2008. Caroline says that her partnership with Finlays has benefitted her and her family, a lot. She has built houses, educated her children, grown her business and learnt good agricultural practices, including forest conservation, and how to treat her workers, fairly.



Endrich Ellrado Mario, Argentina

Endrich Ellrado Mario has been supplying green tea leaf to Finlays Argentina since the 1980s. A relationship that has been going strong for 40+ years. Ellrado has always been on his family farm producing tea, and his family has been in the business for generations. He describes his relationship with Finlays Argentina to be good, clear and in 2018 he has received training on fertiliser applications, which have helped increase yields and welcome benefits to the farm and family.


Hugo Schwartz, Argentina

Hugo Schwartz, in Misiones, Argentina, has been a partner of Finlays Argentina for over 30 years. Hugo and his father have always worked closely with the tea industry in Misiones and began the journey of certification with the company years ago as a pioneer within the country. We work closely with Hugo to ensure we sustain our relationship and tea for years to come. Helping sustain business and continue to share best practice.



Finlays SOURCING

Finlays operates in many parts of the world, across a diverse spread of geographies, local cultures and languages.

-  Coffee Sourcing Origin
-  Tea Sourcing Origin
-  Botanicals



Regional Tasting Characteristics

Asia

 **Sri Lanka**
MEDIUM GROWN
Golden coloured liquor with unmistakeable character and exotically aromatic flavour.

Africa

 **Kenya**
KERICHO
Golden reddish liquor with medium pungency and mellow aroma

Americas

 **Argentina**
MISIONES
Reddish liquor with good clarity and mild taste perfect for iced tea preparations.

Americas

 **Brazil**
ARABICA
Medium bodied with a soft, nutty character and some sweet almond aromas.

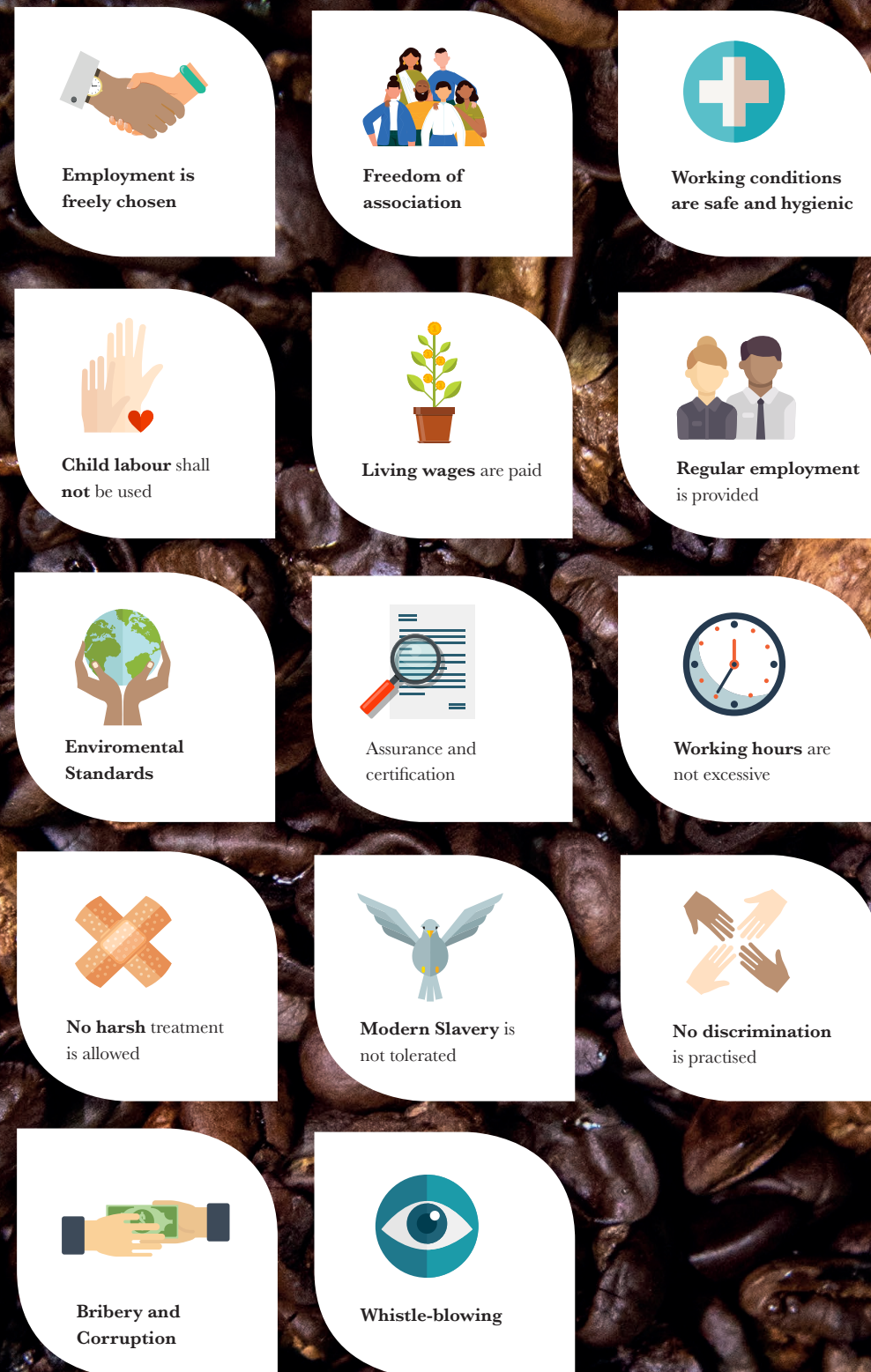
Africa

 **Ethiopia**
ARABICA
Birthplace of Arabica. Medium body and a winy character. Some gamey notes at times.

Asia

 **Indonesia**
JAVA
Full bodied and spicy flavour. Coffees from Java are sweet and chocolately with spicy notes.

Finlays SOURCING POLICY



Swire THRIVE

Swire group's environmental strategy: SwireTHRIVE aims to mitigate operational risks and build long-term resilience by driving higher standards, greater efficiency, and increased innovation in key areas.



SwireTHRIVE strategy framework supports the Group-wide Sustainable Development Policy

SwireTHRIVE was co-created by the Group Sustainable Development Office and representatives from major operating companies. There was agreement on six key environmental issues that are material to all the groups divisions. These are Carbon, Waste, Water, Sustainable Materials, Biodiversity, and Climate Resilience. They were selected by reference to best practice and following a review of environmental sustainability by internal subject matter experts. SwireTHRIVE has been endorsed by the JSS Board.

SwireTHRIVE focuses on environmental sustainability because our success (and that of the communities in which we operate) depends on a thriving natural environment.

The strategy was designed to offer a consistent vision and framework for the Group. While many of our operating companies already had flourishing sustainability programmes, it was agreed that a Group-level commitment would provide an increased remit and opportunities to go further.

Swire Thrive and Finlays Sustainable Future strategy align and enable positive, impactful initiatives to ensure Finlays thrives as a business and we bring the best from bush to cup sustainably.

Celebrating 10 years of sustainability reporting at Finlays.

This edition of the Finlays Sustainability Report marks the tenth anniversary of reporting sustainability within our global operations. Over the 10 years Finlays has achieved a number of notable milestones, objectives and targets and we have learnt a lot as a company throughout this period.

