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Swire Group Sustainable Development Policy

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Finlays has changed in several ways since last year's Report, but our commitment to sustainability remains paramount. I would like to explain here a few of the key changes and also to re-emphasize why sustainability is central to our strategy going forward.



Guy Chambers
Group Managing Director
James Finlay Limited

Finlays bring the best from bush to cup; from tea farms around the globe to the world's consumers. Sustainability is central to how we operate and what we do. As Aristotle so aptly put it: "We are what we repeatedly do. Excellence then is not an act, but a habit."

In 2015, there were three major events affecting the Group. First, we sold Finlays Horticulture, a business acquired in 2007. However, we retain our flower farm business in Kericho, Finlay Flowers, which is co-located within our tea estates and will continue to supply exclusively to our former distribution businesses in the UK and Germany.

The decision to sell Finlays Horticulture was not taken lightly and was made for strategic reasons. Finlays has a unique and integrated global footprint in the beverage industry. We own and operate tea estates, extraction facilities for tea, coffee and plant extracts, packing facilities and R and D labs across four continents. After a detailed review, it was felt that it was increasingly important for us to focus on beverages as our core business, rather than trying to succeed globally at both beverages and horticulture.

Second, we increased our shareholding in Damin from 20% to 40%. This is a sizeable investment and deepens our strategic partnership with Damin, the world's largest tea extracts producer, in a very important market, China. Third, shareholders of Finlays Colombo approved a resolution to de-list the company from the Colombo Stock Exchange. This, coupled with an offer to acquire the shares of minority shareholders, has resulted in Finlays Colombo reverting to a status similar to that before it was listed in 1992.

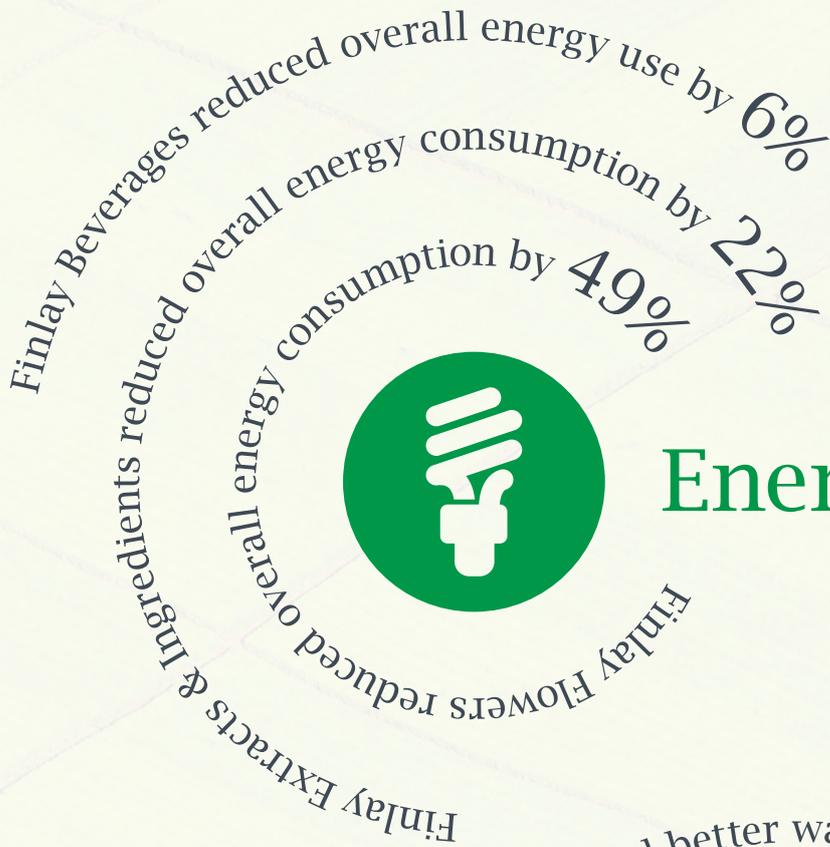
As a side-note, I believe that it would be a mistake to view the sale of Horticulture and the de-listing of Finlays Colombo as a return to the Finlays of the past. Our Company has changed in many ways, including new acquisitions (such as Autocrat and Casa Fuentes), new investments (in Damin) and the rapid growth of the Finlays Extracts and Ingredients business. It will continue to evolve as we pursue the exciting opportunities presented in beverage markets around the world, underpinned by our unique position in tea. These changes are clearly steps forward to a new chapter, rather than steps backwards.

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. This is no easy task but it is what differentiates us from other companies and is what our customers increasingly value. Put simply, Finlays brings the best from bush to cup.

Because we operate across the entire value chain, we are keenly aware of the total environmental impact of our activities. As owners of tea estates, we also take a long view on our natural environment - with a deep understanding of how our business is intimately linked to nature. Take forests as an example. In this report, we feature a number of articles on forests, illustrating how dependent tea cultivation is on the forests that surround us. Forests help control the micro-climates, provide water and provide biodiversity (to help control pests and diseases). Sadly, there are already cases in the tea industry where the importance of neighbouring forests has been ignored - often too late. We strive to ensure that this is not the case where we operate. We also take a long view on developing best practice. For example, we try (where possible) to look beyond certification. In this Report, we share news on initiatives relating to gender empowerment in Kenya and village empowerment in Sri Lanka. Although parts of our business have changed (and will continue to change), we continue to take pride in what we do every day.



Key highlights in numbers



Water



Finlay Flowers reduced water consumption by 1% despite increased coffee production

Tea Estates Sri Lanka have reduced total water use by 16%

Finlay Beverages reduced water use by 30%, despite increased coffee production

Carbon



Tea Estates Kenya reduced Scope 1 emissions by 38%

Finlays Colombo reduced Scope 1 emissions by 58%

Finlay Flowers reduced Scope 1 emissions by 73%

About Finlays





Finlays fast facts

1.7m kg

Manufactures and trades over 1.7 million kg of decaffeinated tea per annum.

80m kg

Trades 80 million kg of tea from offices in the UK, Kenya, Sri Lanka, UAE, Malawi, Vietnam, Indonesia, China and the USA; packs over 12 million kg per annum.



Tea

9.6m kg

Manufactures and trades 9.6 million kg of tea extracts and 1.8 million kg of tea aroma per annum.

56.3m kg

Produces 56.3 million kg per annum from 13,000 hectares of land dedicated to tea growing in Kenya, Sri Lanka and Argentina.



2,000 hectares

2,000 hectares in Sri Lanka producing over 1 million kgs of rubber latex per annum.

Rubber

82,000m³

Operating a 82,000m³ facility in Sri Lanka.



Cold Storage



Coconuts

800,000 nuts

Over 800,000 nuts per annum in Sri Lanka.

7.8m kg

Manufactured over 7.8 million kg and trades 8.8 million kg of coffee extract per annum.



Coffee

4.2m kg

Blends and packs over 4.2 million kg of coffee per annum.

141m stems

100 hectares in Kenya, producing over 141 million stems per annum for the UK, continental Europe, Australia and South Africa.



Flowers



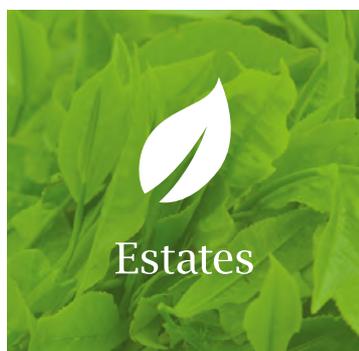
Timber

5,000 hectares

5,000 hectares in Kenya and Sri Lanka producing over 150,000 tonnes of Eucalyptus and Cyprus.

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.

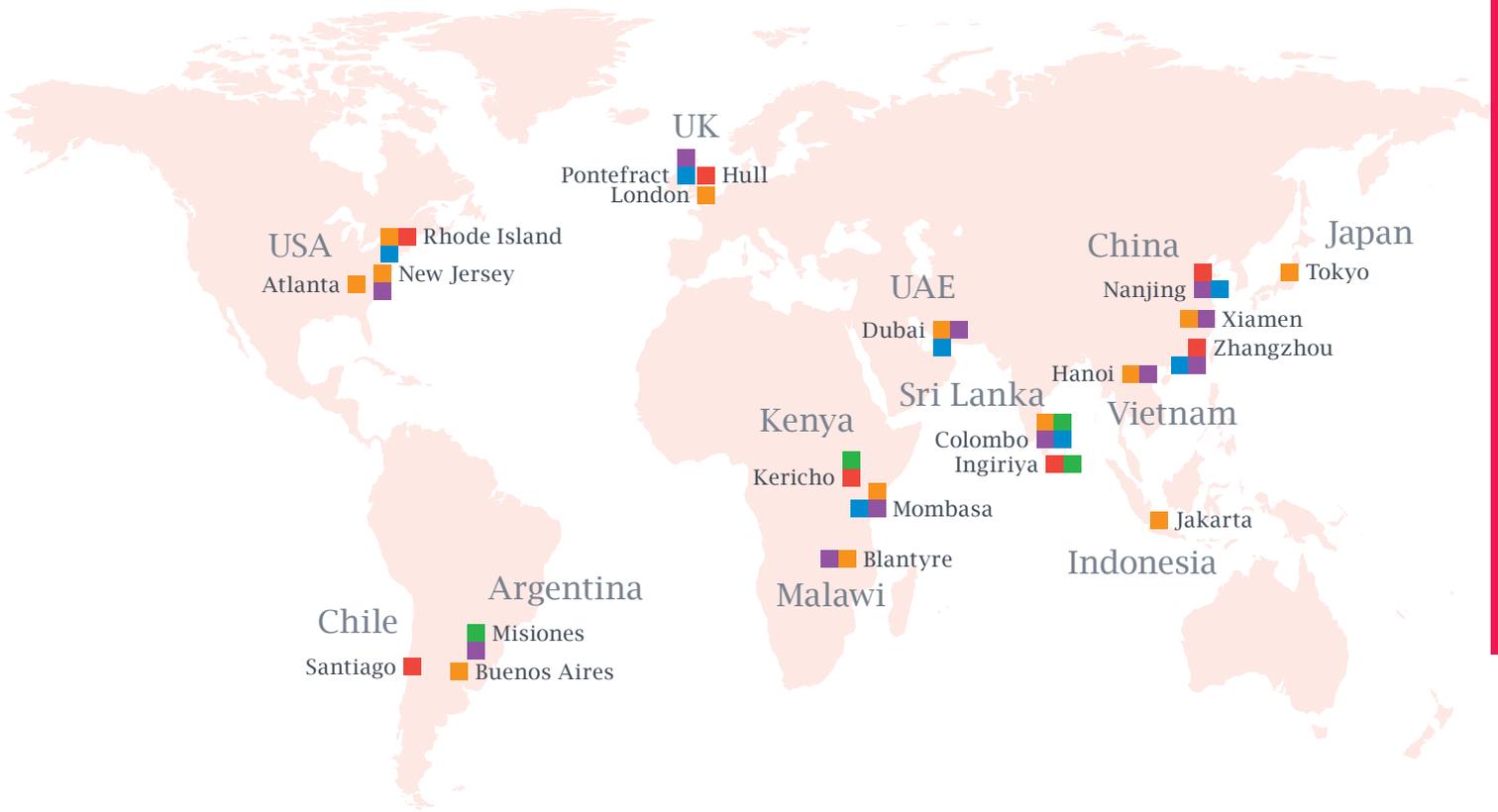


Finlays head office is located at Swire House,
59 Buckingham Gate, London SW1E 6AJ.

We also have tea sourcing and supply offices all over the world.

Global network

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



About Finlays | 2.3 Global network

We employ over 25,000 employees globally.
Our primary markets are in the UK, USA and Asia

Total Net sales: £314,568,000

Total capitalisation broken down in terms of debt and equity:
Equity £269,038,000; Debt £139,497,000

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:

Delivering a sustainable future

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
- 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
- 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
- Educate our employees on the values and principles of sustainable development



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 and industry bodies
- 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
- 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
- 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.

- **Energy:** continuously improve our resource management
- **Water:** practice excellence in our management of water resources
- **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
- **People:** to make Finlays a rewarding and enjoyable place to work

Scope of report

The report covers all the main units of Finlays. Changes were made to the structure and composition of the Group in 2014 and 2015 which are reflected in this report as follows:

Finlays Sustainability Strategy, Commitments and objectives

- We now include Autocrat USA (now part of Finlay Extracts and Ingredients, USA) which was acquired in 2014.

We have excluded Finlays Horticulture which was disposed of in 2015. The Horticultural companies no longer reported on, are:

- Flowers Europe
- Fresh Produce
- Horticulture Africa, with the exception of three farms in Kericho which have been retained under the name Finlay Flowers

Two exclusions from the numbers are:

- James Finlay Pakistan, whose main business is shipping and insurance, given the size of the operation financially, socially and environmentally
- The tea trading offices in Dubai, Indonesia, Vietnam and Malawi only partially report Carbon 3 and Health and Safety, given the small size of these offices
- Casa Fuentes 2015 numbers are included only for production 'numbers' and health and safety

Our partners in instant tea manufacture Tres Montes Lucchetti (Chile) and Damini International (China) are included in sales numbers only.

In 2015 we increased our stake in Damini International, from 20% to 40% and will start to collect more detailed information from 2016. We will begin reporting on Casa Fuentes Argentina from 2016 following its integration into the Group during 2015.

The report records performance against two sets of objectives:

- Finlays group indicators, which are those that apply to all our businesses
- Finlays business unit indicators, which are selected by each business unit to reflect its main challenges, details of which can be found within the individual business unit reports

Reporting period

The report is for the calendar year 2015. This follows previous annual reports from 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 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 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.

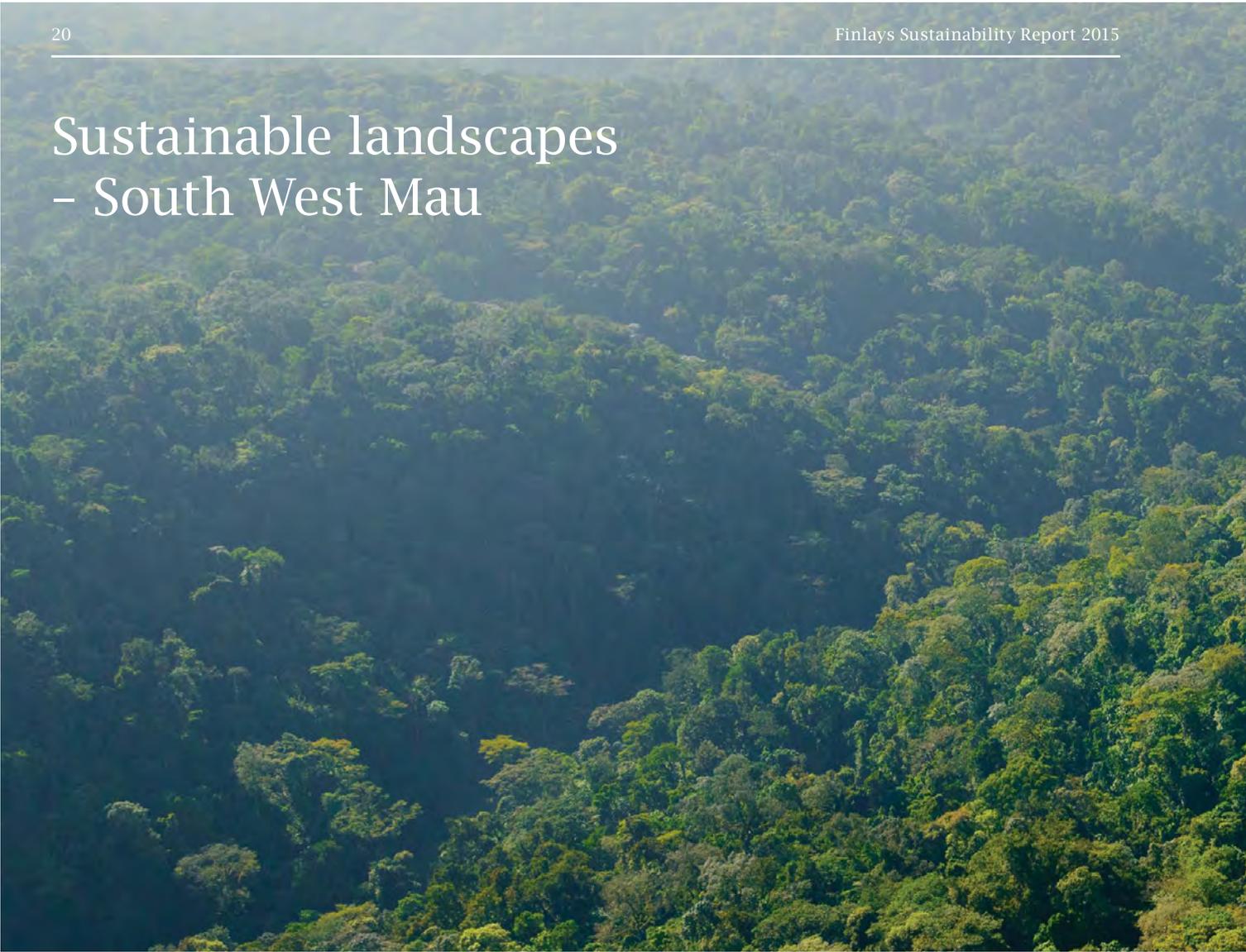
The Group has many experts on areas from energy, agricultural practices, environmental management and we aim to use their knowledge across the Group.

Group Performance Review 2015





Sustainable landscapes – South West Mau



In Kericho agriculture and tea growing is dependent on the health of the Mau Rainforest. Its role in controlling the climate, as a provider of water and biodiversity ensures we have a sustainable tea industry. Its destruction puts all agriculture in the region at risk.

The Sustainable Trade Initiative (IDH) launched their Sustainable Landscapes (ISLA) in February 2011, with joint funding from the Dutch, Danish and Swiss governments. From the outset the Mau was selected as one of the Landscapes to be covered

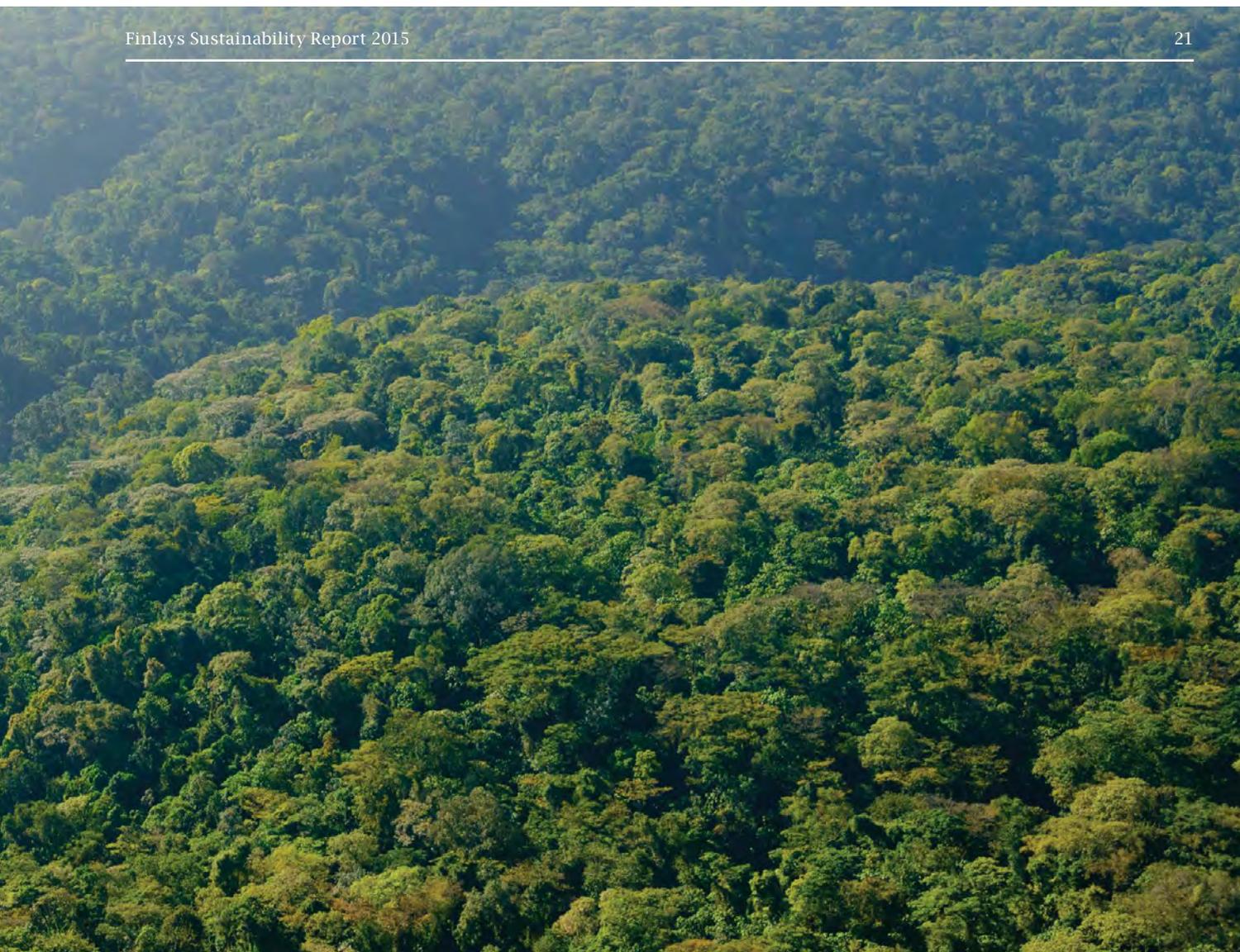
The South West Mau Sustainable Landscape project was launched in Kericho on 30th June 2015, bringing together The Governors of Kericho and Bomet Counties, representatives from Kenya Forest Service, Kenya Wildlife Service, Kenya Water Towers Agency, WARMAS, Kengen, and stakeholders from the private sector.

ISLA convenes coalitions of public and private stakeholders to jointly formulate and invest in sustainable land and water management in the SW Mau landscape, specifically the Sondu river basin, an area of approximately 3,470 Km².

The project is expected to run until 2018, and focuses on the following challenges in the upper catchment:

- Halting deforestation
- Water management
- Sustainable livelihoods
- Sustainable energy sources

Ultimately, by 2018 ISLA aims to develop financially viable governance models for sustainable land and water management for the Sondu river basin. All activities within the project are carried out on a co-funding basis, with IDH providing a maximum of 50% of the cost, the rest coming from other stakeholders (including Finlays) in either cash or kind.



In accordance with our sustainability objectives, Finlays is taking a lead role in a number of activities being carried out under the SW Mau project. As part of the 'kick start' activities, in conjunction with Kenya Forest Service and the Community Forest Association (CFA), we rehabilitated approximately 4.8 hectares of degraded forest near the Mara Mara Forest station. We purchased indigenous tree seedlings from two nurseries in the surrounding community (Tuyobei and Nyoigeno) established with assistance from the Bongo Surveillance Programme (BSP).

Since 2012, Finlays has been sponsoring a surveillance team operating under the BSP. This team spends a significant amount of time in the forest, placing motion sensor cameras at strategic sites, clearing snares and elephant traps, and recording details of forest destruction (illegal logging or charcoal burning). The BSP also engages with the forest adjacent communities through establishment of wildlife clubs in schools, and through introduction of alternative livelihood schemes such as bee keeping and dairy goats.

We are hopeful that Finlays support for BSP will shortly be matched by IDH the funding of a second surveillance team.

On 10th November 2015, the first aerial surveillance flight was conducted over the SW Mau forest using Finlays Cessna Caravan. Participants corroborated illegal activities sighted and agreed future action plans, such as further aerial surveillance flights to be conducted on a quarterly basis.

Future activities

Potential projects that are being explored by ISLA include strengthening the CFAs, introduction of zero grazing, forest buffer zones (tea/bamboo), sustainable charcoal from bamboo, and ultimately a fence along the Eastern boundary of the forest. There is also a proposal to raise the profile of the landscape by combining with the adjacent Transmara forest block and registering the entire 100,000 hectares as a nature reserve or conservancy.

Gender equality and empowerment working towards a gender balance in Kenya

With the launch of Project Athena, James Finlay (Kenya) (JFK) has taken the lead in addressing the structure, processes, practices and policies which inhibit gender equality in the Kenyan tea industry. Project Athena commits the Company to making sustainable changes in gender equality and empowerment in the workplace by taking initiatives that promote equality of opportunities

JFK is passionate about creating an inclusive workplace where employees are treated with dignity and respect, where talents and skills prosper. Project Athena involves assessment of all work processes and practices and identifying any which cause exclusivity and where possible put in place intervention measures to eliminate any form of discrimination.

Project Athena focuses on five key pillars:

- Policies, Procedures and Practices
- Gender quotas to increase the proportion of women represented at all levels including decision making
- Skills training and personal development
- Gender capacity building
- Promoting inclusive workplaces by eliminating all forms of discrimination direct and indirect

Since 2014 Project Athena has resulted in an increased representation of women at all levels including decision making. As at the end of 2015:

- 1st women appointed to the Management board
- 23% of women in senior management positions as compared to 21% in 2014
- 25% of women in junior management positions as compared to 22 % in 2014
- 19% of women in graded positions as compared to 17 % in 2014
- 33% of women in general workers positions as compared to 31% in 2014
- Overall 31% of JFKs employees are women as compared to 29% in 2014



A female management trainee programme was launched to create a pool of talent. Three of the first intake have now been absorbed into the system. A second cadre of management trainees is currently being recruited in 2016.

Project Athena has seen targeted skills training and personal development, bridging the skills gap between women and men, enabling women to compete equally for any opportunity.

The programme consists of leadership and apprenticeship components and has a four tier approach with consists of leadership training, life skills forums, networking and mentoring/coaching. For apprenticeships JFK has partnered with Olessos Technical institute and has enrolled 12 women in the programme. Training includes in-house classes and industrial attachment.

Seeking change in culture, practices and norms that perpetuate discrimination covers all categories of employee. All management have undergone gender equality training during 2015, with the focus in 2016 being to train all graded employees.

We have also introduced school mentorship programmes geared towards educating the youth on gender issues and challenging stereotypic beliefs.

To achieve womens empowerment; representation in community organisations is essential and to this end all social committees within Finlays have a 1/3 rule to ensure that a proportion of leadership positions are taken by women. Women are encouraged to compete for elective positions.

Tea 2030 – Tackling Systemic issues in the tea value chain



The industry initiative Tea 2030 was set-up over 3 years ago to identify long-term systemic issues undermining the sustainability of the tea sector. Three interlinked areas of the value chain were identified as requiring attention. Firstly the social, economic and environmental unsustainability of the landscapes in which we grow much of our tea, secondly the short-term nature of the market and lack of sustainable market mechanisms and thirdly, addressing the decline in UK black tea consumption.

In June 2015 Tea 2030 took an important step forward with the Tea2030 CEOs Group meeting for the first time to focus on a common approach on systemic tea issues:

Landscapes Across tropical agriculture there is an increased understanding that sustainable landscapes are dependent on the economic, social and environmental balance to ensure sustainable agriculture. In 2015 we joined with IDH and ISLA and other stakeholders to look at initiatives to preserve the South West Mau Rainforest. In other origins that face major sustainability challenges such as Malawi and Assam there is an increased awareness of the complex interlink of social and environmental issues.

Market Mechanisms A consultation paper was commissioned on index related future markets which is due for discussion by the CEO Group in 2016. Low tea prices in 2014-2015 demonstrated producer vulnerability to oversupply and lack of any forward market to manage risk, which forces a longterm industry into continual short-term thinking.

Consumers In the UK are increasingly choosing challenger drinks like coffee and herbal infusions, leading to a sales decline in the black tea market. To ensure a sustainable value chain the Tea 2030 consortium wants to see a category campaign that will increase black tea sales.

Casa Fuentes – Implementing Sustainable Agriculture



In 2006, Casa Fuentes first began to implement sustainable agriculture practices, not only in their plantations but also by extending best practice to the small producers, who delivered green leaf to the Company's processing tea factories.

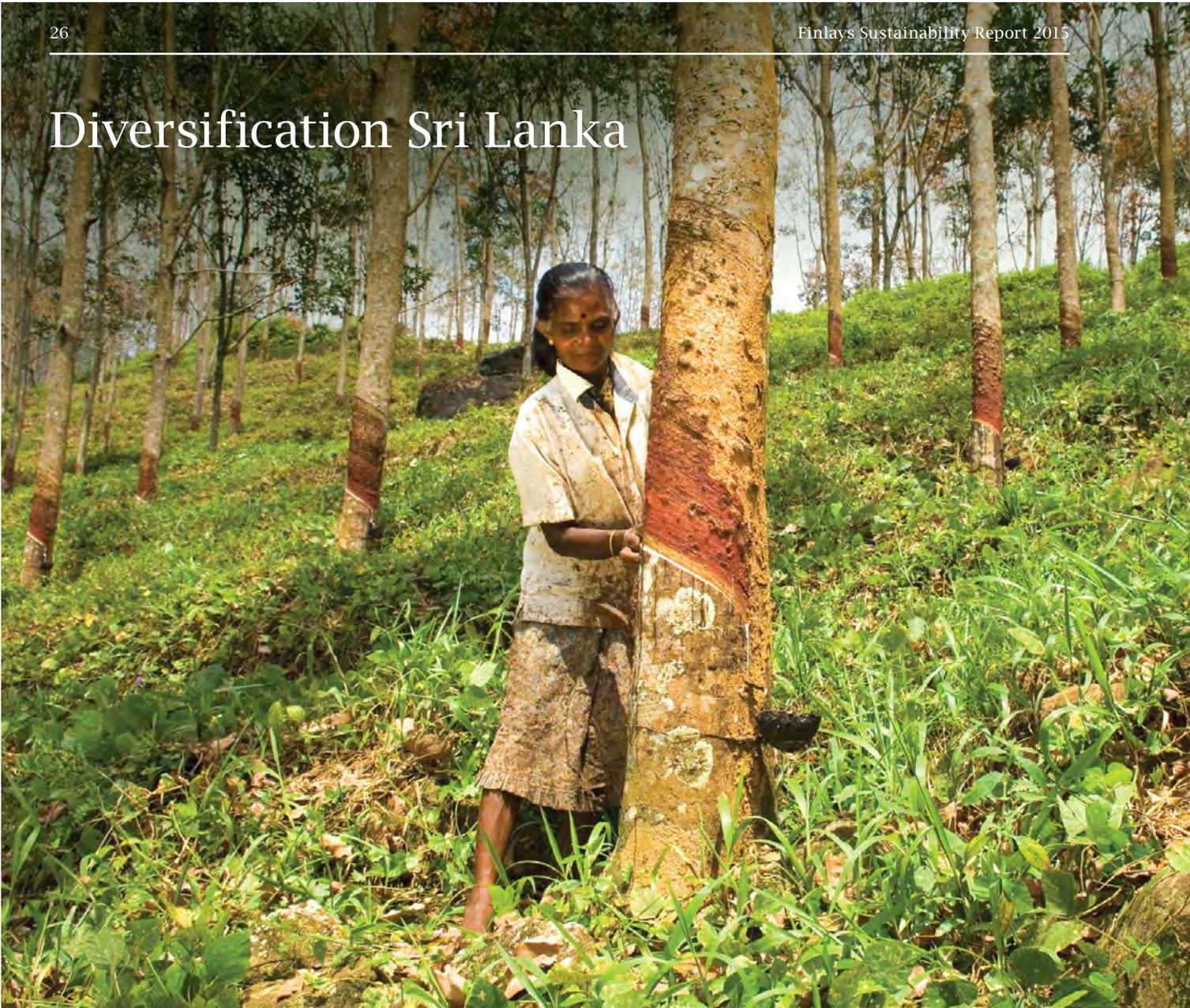
Having first achieved Rainforest Alliance certification in 2007 Casa Fuentes and its outgrower farmers are working to standards which result in improving field health and safety standards and improved agricultural farming practices which help, protect the environment.

This has been achieved by continually expanding certification to all of the Company's properties whilst at the same time the number of outgrowers achieving certification has now increased to more than 15 representing a total of 500 hectares under the control and supervision of Casa Fuentes.

Because of the amount of production now certified Casa Fuentes has the opportunity to be one of the leading suppliers of Argentine Rainforest Alliance tea.

Casa Fuentes continues its efforts to ensure sustainable production of teas in Argentina and in 2015 obtained UTZ Certification.

Diversification Sri Lanka



In 1992 Finlays took over the management of Hapugastenne Plantations which together with Udapussellawa Plantations were subsequently acquired a few years later. Collectively the two companies comprising of over 23,000 hectares spread across 30 estates in seven different agro-climatic regions. Tea is grown on 10,000 hectares and 1,800 hectares is cultivated by rubber.

Land productivity was highly varied with almost 40% of the tea land producing 50% less than the expected minimum yield per year. The worst plantations on the eastern slopes of the central hills were not suitable for replanting tea due to previous poor agricultural standards that resulted in significant soil erosion, infrequent water availability and micro-climatic changes. As a result we have diversified into a range of crops that can cope with the changed conditions and rehabilitate the land.

Initially we focused on turning 1,500 hectares of poor tea fields into forests of timber and fuelwood, allowing

us to become self-sufficient in renewable energy for tea processing. At the same time we pioneered planting rubber in the semi-dry region of the Passara Group. Successful trials resulted in over 1,000 hectares of unproductive lands being turned over to rubber.

On Yattawatte estate we planted coconut and are now producing over 800,000 nuts per annum. As trials of cinnamon in the Ratnapura and Rakwana regions are showing promising results, we are planning to have 250 hectares planted by 2020, producing 100,000 kg per annum.



Since 2008, we have intercropped black pepper into existing tea plantations which has enriched low productive tea lands. To date we have planted 36,000 pepper vines using low shade providing gliricidia trees. Longer term we intend intercropping 200,000 pepper vines in tea to produce 40,000 kg of black pepper per annum by 2020.

To enhance returns from our rubber lands we have been intercropping cocoa under young rubber trees. Currently 75 hectares of cocoa have been planted which we hope to increase to 125 hectares by 2020.

Not only have we diversified our portfolio of products, we have begun to rehabilitate the land by, increasing the ground cover and nutrient content of the soil through legume plantings which reduce soil erosion. This should ensure that our business is not only more environmentally sustainable but is also economically viable and socially sustainable.

Energy



In 2015 medium term targets were set for the period 2015 - 2017. These targets are measured using 2013 data as a baseline. Energy reduction in all businesses is key to better use of resources.

Our aim is to reduce our non-renewable energy consumption and greenhouse gas emissions by making our operations more energy efficient. Energy improvements have been made across the Group through energy audits, by setting reduction targets, running awareness campaigns and through increasing our renewable energy sources. LED lighting is used where possible and light tunnels have been installed in our Sri Lankan operations. Our renewable energy sourcing has also increased too.

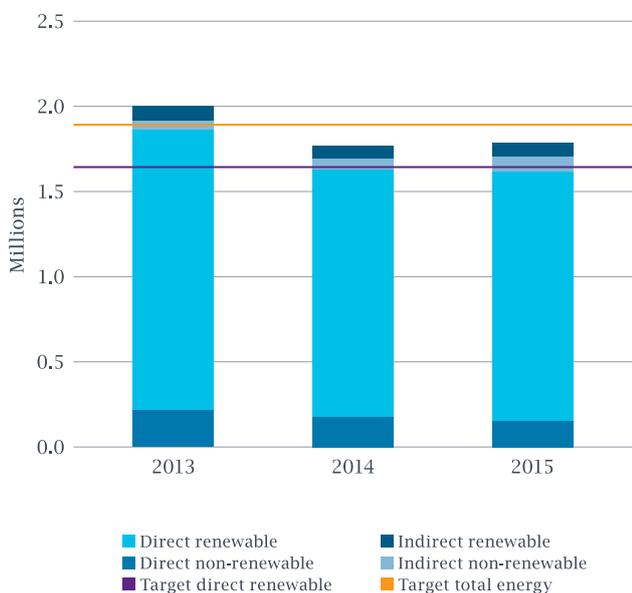
2015 Highlights (against 2013)

- Finlay Beverages reduced overall energy use by 6%
- Finlay Extracts and Ingredients reduced over all energy consumption by 22%
- Finlay Flowers reduced overall energy consumption by 49%

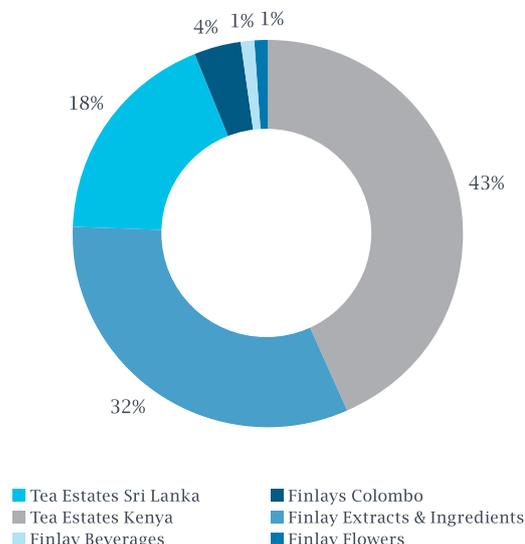
2016 Plans

- Cold storage in Sri Lanka to install and operate a 800 kW solar panelled roof by mid-2016
- Kenya to develop an energy strategy
- Sri Lanka to conduct further energy audit and improvement plans

Finlays Group Energy



Finlays Total Energy 2015





Renewable energy

About 86% of our total (and global) energy use comes from renewable sources. In Sri Lanka, we use discarded cocoa shells, sawdust and sustainable timber as biomass to generate energy for thermal processes; in Kenya we use a renewable source of timber as biomass, biogas and solar to generate energy.

In 2015, our factories generated 1,417,000 GJ of energy from biomass; 2% of our renewable energy came from hydro; 3,638 GJ from biogas production and 6 GJs from solar sources.

About 54% of our total grid electricity consumed in 2015 came from renewable sources, globally.

Due to energy audits and fuel reduction campaigns direct non-renewable energy use has reduced by 45% since 2013 and by 14% compared to consumption in 2014.

Target measure: Our overall energy reduction target was met and passed by 7%. Direct renewable energy production reduced due to less rainfall in Kenya and Sri Lanka resulting in a reduction in hydro production.

Kericho Biogas plant

We reported a year ago on the benefits of our new sustainable waste management system which had just recently been commissioned. The biogas plant has now been in operation for 17 months with the Combined Heat and Power System (CHPS) having run for over 8,000 hours generating 4,283 GJ of electricity and the same amount of heat energy. During that time waste from the flower farms and Saosa factory has ensured continuous production of gas and generation of electricity.

The biogas yield of substrates fed into the digester is fairly consistent for all the substrates although currently, the most important with the highest output of biogas is green tea waste followed by flower waste and spent black tea. So far we have recovered 1,477,000 kgs of flower waste, 1,736,000 kgs of spent green tea waste and 3,973,000 kgs of spent black tea waste.

The digested substrate is discharged into a slurry lagoon before being applied as a soil fertiliser to timber plantations, new field clearings and tea plantations. Trials on the application of slurry to tea are ongoing with a view to automating as much of the process as possible.

The benefits realised to date include:

- Production of electricity (160 kWh) and heat energy (160 kWh)
- Waste reduction and the elimination of the need to send bio-waste to landfill
- Reduced greenhouse gas emissions and the mitigation of global warming
- Expenditure saved by the substitution of chemical fertilisers with slurry as a bio-fertiliser
- Income from the sale of slurry
- Savings in the cost of disposal and treatment of substrates – mainly flowers and spent leaf

The plant has provided a forward-thinking sustainable approach in terms of power and heat generation, waste disposal and a source of bio-fertiliser.

It has also demonstrated that the technology is robust and has the potential to satisfactorily deal with both flower and tea extract waste.

GJs	2013	2014	2015	GJ per tonne of activity	Target vs actual
Total Energy Use	2,001,633	1,768,449	1,785,232	21.40	-7%
Direct non-renewable	220,688	177,511	152,362	1.80	-45%
Direct renewable	1,644,447	1,455,492	1,463,861	17.60	-9%
Indirect non-renewable	53,075	62,077	92,606	1.10	
Indirect renewable	83,422	73,371	76,402	0.90	

Water



Water resources are important globally and we aim to reduce our water footprint. In 2015 we achieved our target to cap water consumption at 1.957 million m3. Of the water used in 2015, 17% was from green water sources.

Water conservation

Our farms are reliant on rainfall and in some parts climate change is impacting water use and sourcing in our operations. In our flower farms in Kenya, an 18% increase (since 2014) in blue water extraction this year was due to very dry months across all the farms.

Group-wide water-saving projects include increased rainwater harvesting in Sri Lanka, increased effluent treatment in Kenya, and installing improved water metering systems.

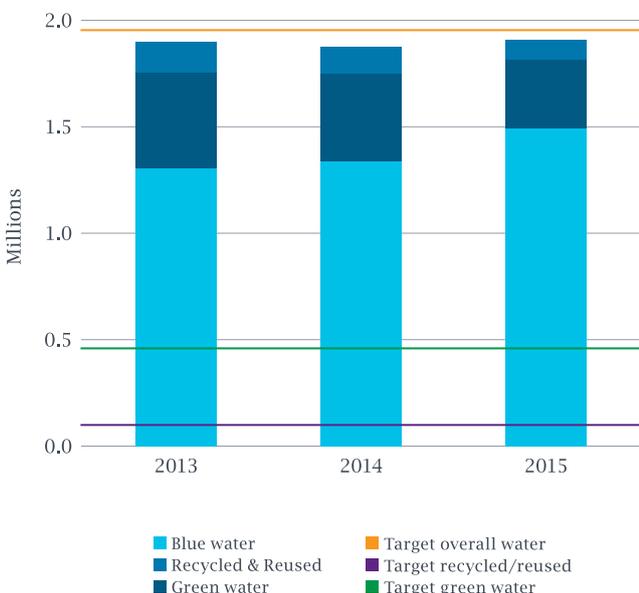
2015 Highlights (against 2013)

- Tea Estates Sri Lanka have reduced total water use by 16%
- Finlay Beverages reduced water use by 3%, despite increased coffee production
- Finlay Flowers reduced water consumption by 1% despite increased hectares under production

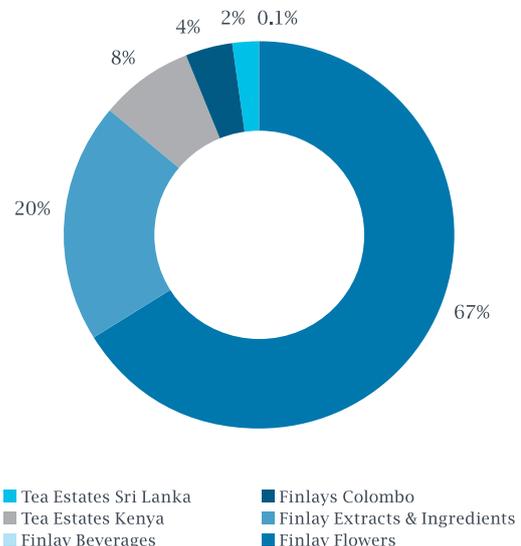
2016 plans

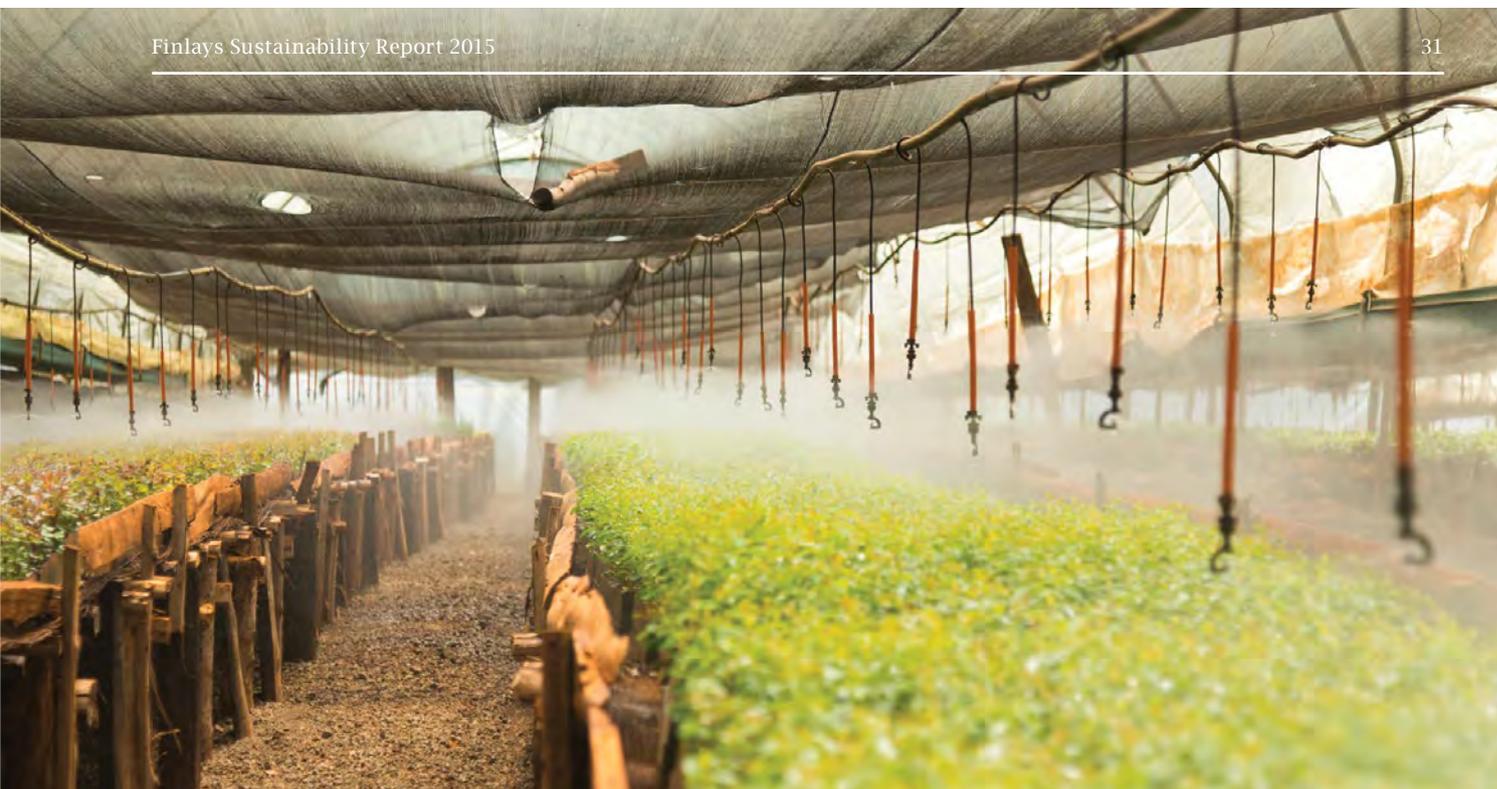
- Increase rainwater harvesting in Sri Lanka
- Increase the number of water saving campaigns throughout the Group
- All factories to use dry cleaning methods and continue to improve water efficiencies
- An effluent management system to be installed in the extracts factory in Kenya

Finlays Group Water



Finlays Net Water Use 2015





Target measures

The Group met and exceeded the water consumption target set for 2015, consuming 3% less than anticipated. The green water target was missed due to dry weather conditions experienced globally throughout the year.

Zero untreated water discharged will be met through improved effluent treatment installations in Kenya planned for 2016.

Water sources accessed in 2015

	m3
Total water use	1,905,883
Blue water	1,492,762
Ground water	49,836
Municipal mains water	74,890
Surface water (lakes, wetlands, rivers)	1,368,037
Green water (harvested rainwater)	323,220
Recycled and reused	89,902
Water not treated before reuse	2,686
Water treated before reuse	87,216

	2013	2014	2015	m3 per tonne of activity	Target vs Actual
Total water consumed	1,898,813	1,873,743	1,905,884	22.90	-3%
Blue water	1,308,070	1,338,106	1,492,762	17.90	
Green water	447,301	410,982	323,220	3.90	-44%
Recycled and reused	143,442	124,655	89,902	1.10	

Waste



Effective waste management is a focus for all Finlays businesses, through reducing the amounts sent to landfill and finding alternative uses for waste through recycling, reuse and recovery (upcycling). Tea Extracts in Kenya, have reduced waste sent to landfill by 55% since 2013 and increased waste recovery by 2.5 times. A proportion of all our waste in Kenya is recovered to produce biogas.

Overall waste generation has decreased by 4% since 2013.

The landfill waste from our Flowers business fell by 12% in 2015 through the use of integrated pest management (IPM), which significantly reduced the use of chemicals and the associated waste streams. Ash and other organic waste from our tea estates are used in composting and road gritting.

Our UK based beverages business continue to achieve zero waste to landfill.

2015 Highlights (since 2013)

- Tea Estates Kenya have reduced waste by 65% due to improved reuse, reduction and better waste management practices
- Tea Estates Sri Lanka have reduced overall waste by 22%
- Finlay Flowers has reduced overall waste by 12%

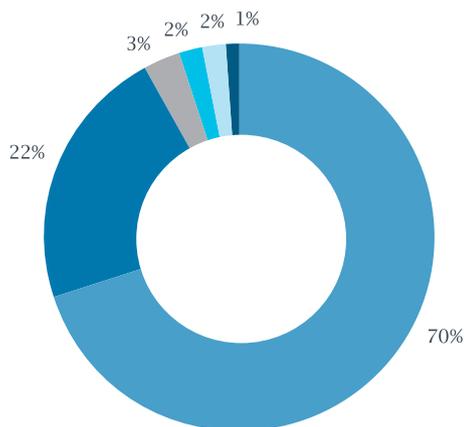
2016 Plans

- Continue to reduce the amount of waste sent to landfill, globally
- Continue to identify alternative uses for waste streams (fluff tea to compost, sawdust into briquettes for energy)
- Solar lighting to replace alkaline battery driven lamps, as far as possible

Finlays Group Waste



Finlays Total Waste 2015



Waste target performance

Tonnes	2013	2014	2015	Tonne per tonne of activity	Target vs actual
Total waste	37,737	33,133	36,256	0.44	5%
Total landfill	18,991	11,453	8,522	0.10	-51%
Total waste recovered	16,989	20,104	25,460	0.31	
Total waste recycled	1,160	1,214	1,829	0.02	
Total waste reused	597	360	443	0.01	

Carbon



Managing carbon emissions as a Group and sourcing sustainable biomass is key to our operations in Kenya and Sri Lanka; combined we grow 5,000 hectares of timber in both countries. Globally we retain 5,165 hectares of our property as natural forest, and through this aiding in Carbon sequestration.

We produce varying renewable energy sources on most of our sites and through these initiatives, reduce our carbon emissions. In 2015 our total carbon emissions per tonne of production were 0.41 tonnes of CO₂e.

Scope 1 Our scope 1 emissions are directly linked to production which in 2015 was lower than in previous years. Group emissions have fallen by 36%. Programmes to reduce fuel consumption have been implemented in Kenya resulting in a reduction in mobile emissions. Per tonne of production, in 2015, we produced 0.12 tonnes of scope 1 emissions.

Scope 2 Since 2013 we have rewired our factories in Sri Lanka and run Group-wide programmes aimed at saving energy and raising awareness of the need to use energy efficiently.

The overall Group Scope 2 emissions have increased by 21% due to operation expansions. In 2015 we implemented improved reporting and Carbon calculating systems, improving our Carbon reporting accuracy. Per tonne of product our operations emitted 0.24 tonnes of Scope 2 CO₂e.

2015 Highlights (since 2013)

- Finlay Flowers reduced Scope 1 emissions by 73%
- Finlays Colombo reduced Scope 1 emissions by 58%
- Tea Estates Kenya reduced Scope 1 emissions by 38%

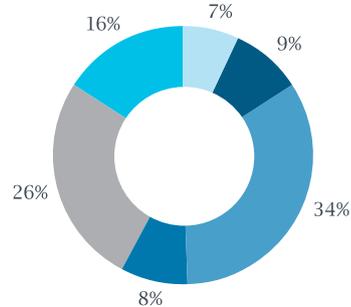
2016 plans

- Continue to measure and report GHG through the updated reporting system
- Set achievable reduction targets
- Increase renewable energy resources, as far as possible

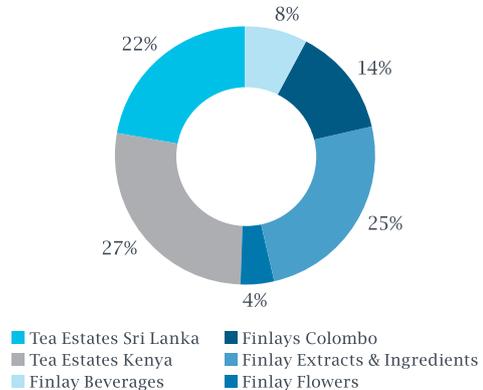
Finlays Group Carbon



Finlays Carbon Scope 1 2015



Finlays Carbon Scope 2 2015



Carbon target measure

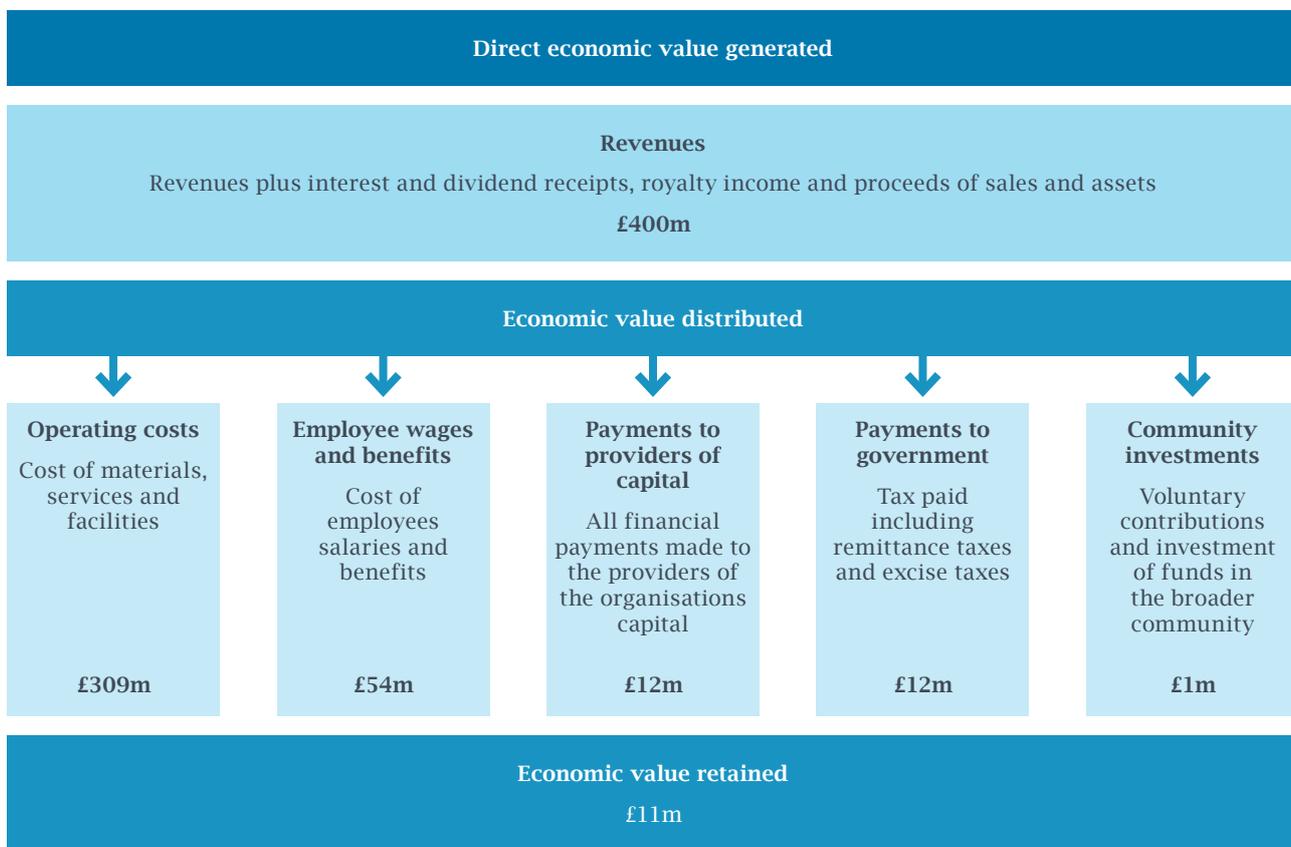
CO ₂ e tonnes	2013	2014	2015	Tonne per tonne of activity	Target vs actual
Total scope 1 emissions	15,467	12,598	9,828	0.12	-36%
Total scope 2 emissions	16,645	15,167	19,910	0.24	21%

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.



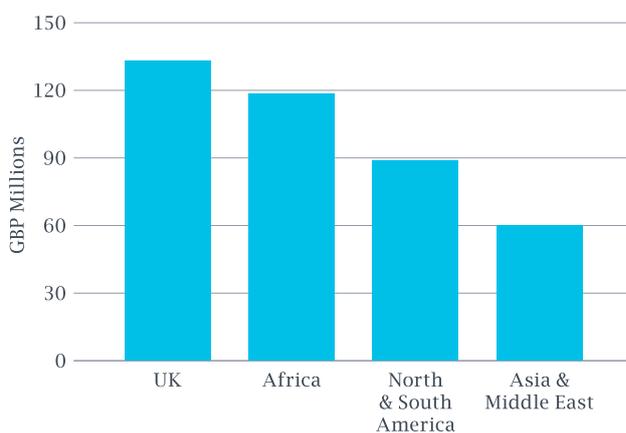
Our economic contribution includes: direct employment, buying from local, regional and global suppliers, alongside the distribution and retailing of our products.

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.

In the year ending 31 December 2015, Finlays generated £400 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.

2015 saw the economic value 'retained' as £11m (prior year was -£25m) however this includes £78.5m received as part of the deal to sell Finlays Horticulture to Sun European Partners.

Economic value generated by region



Occupational Health and Safety

Operating a business across a number of different continents, in both developed and developing countries brings with it many health and safety challenges. However, the human and economic benefits of achieving outstanding health and safety performance cannot be ignored.

For a business like ours to reach the heights of health and safety excellence, including a reduction in global work related accidents and ill health numbers, clear strategies on tackling the highest risks our business faces are required. Those strategies need to be well communicated, well lead, improve colleague engagement and have clear objectives and goals.

At Finlays our strategy includes the following core objectives and expectations:

Leadership from the top

- Senior Management and Director involvement is of critical importance in furthering health, safety and risk management throughout the Group's operations

Employee engagement

- Frequent communication is a fail safe way of raising safety and risk awareness amongst our colleagues

Regular performance monitoring and measurement

- Periodic and objective self assessments and audits in addition to larger corporate audits

Competent colleagues, managers and directors

- Ensuring colleagues at all levels are trained and empowered to perform in a way that enables them to achieve their expected performance level

Robust risk identification and control

- Directors and Senior Managers need to own the top risks in their business by understanding the risk management principles of Prioritisation - Proportionality - Auditability

This list of expectations and objectives is not the panacea to great health and safety management. However adopting these and others, together with the successful communication and implementation of them will, when lead by top management, reward the Group with success.

	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	1.9	1.0	2.7	10.3	0.0	0.1	0.01	0.20	0.72
Sri Lanka	4.7	5.0	4.3	1.7	0.0	0.0	0.03	1.24	2.29
United Kingdom	7.8	5.2	10.5	18.7	2.1	4.4	0	0	0
North and South America	4.3	1.0	11.8	195.1	3.6	41.0	0	0	0

*Injury rate includes both minor, major and fatalities.

Rates are calculated per 200,000 hours worked. The factor of 200,000 is based on 100 employees working for 40 hours per week for 50 weeks a year. By using this factor the resulting rate is related to number of employees not the number of hours worked.

In 2015 businesses held awareness campaigns for OHS World day and road safety week.

Training and Development

Finlays is committed to the continued development of its employees, particularly through training that expands skills and development of its workforce.

Employees were trained, on average, 8 hours per month in 2015.

Finlays believe that employees who feel appreciated and challenged through training opportunities may feel more satisfaction in their jobs. We also believe that by giving our employees access to training opportunities they will in turn be encouraged to better themselves both personally and professionally.

As well as the obvious benefits in terms of employee satisfaction, training also helps to prevent health and safety incidents. 2015 saw an increased focus on Health and Safety training across the Group, with a number of risk assessment courses being run in Kenya, management safety courses in Sri Lanka and safety and risk workshops Group wide.

Finlay's investment in training demonstrates to employees that they are valued and it helps to create a supportive workplace culture.

Plans for 2016



YOUR TREES OUR
TREASURE.

Village Empowerment – Sri Lanka Tea Estates

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 plan to take this plan to the next level.

Historically in the Sri Lankan plantation industry, employees housing was traditionally seen as the responsibility of management. Housing areas were called lines and were identified as part of the tea estate. Many families lived on the estates with the lines becoming family homes for generations. Recent changes and reforms have confirmed the right of tenants to live on the estates, whether or not they work there. Many these days work in other sectors outside of the tea industry and many residents on tea estates, still receive their official letters and all other correspondence through the estate office. Their identity is linked to the estate as a tea worker of the company.

In 2016 as part of a pilot, tenants will suggest and vote on a new name for their villages, which will then be registered and used as a direct postal address. We want to empower residents to take ownership of the 'lines' as their village, increasing morale, ownership and pride whilst moving away from the traditional dependency model of housing to an empowered independent community. Naming their village will be an important step in this journey.

James Finlay Kenya – Energy Strategy

Across our Business, having a reliable, constant, cost effective and sustainable energy supply is business critical. In Kenya 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. In 2016 we will publish an energy strategy covering the three Finlays businesses in Kericho. This builds on our collective experience and efforts to make Finlays a leader in energy generation in the tea industry.

The energy strategy will identify the investment programme required to lower the consumption and cost of energy provision and supply across Kericho in order to:

- Improve competitiveness, through lower operating costs
- Improve efficiency and productivity of our manufacturing facilities
- Create a strong and coherent 'green sustainable energy' message for customers
- Ensure businesses work together as one company to accelerate successful delivery of business objectives
- Support the delivery of Finlays and Swire Sustainability Development objectives and access 'green finance'
- Build and develop the long-term skills, knowledge and competency locally

This is an exciting opportunity to make a real significant and lasting difference in Kericho.



Argentina – Atlantic Rainforest

Casa Fuentes has over 1,400 hectares of tea in production and over 1,800 hectares of conservation land, most of this indigenous rainforest. This forest is a component of the Atlantic Rainforest that runs from the Atlantic coast in Brazil across to Paraguay 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 2016 we intend to explore opportunities to work with others to promote the ecological protection of the indigenous forest ecosystems.

Solar Power Project in Sri Lanka

Finlay Cold Storage is Sri Lanka's largest and most technologically advanced cold storage service provider, and has been in commercial operations since 2005. It is a wholly owned subsidiary of Finlays Colombo.

The company remains focused on a long-term sustainable business model with projects on renewable energy sources and efficient energy utilisation being constantly evaluated. As part of this initiative a proposal to establish a grid connected Photo Voltaic System, is scheduled for installation in 2016. PV panels will be located on the roof of the existing cold storage building and will have a generating capacity of approximately 800kWp.

Electricity is a key cost driver in this business and Sri Lanka has one of the highest energy tariff structures

in the region. This project will generate about 27% of the cold store's current electricity requirements and will also act as a significant cushion against adverse future tariff increases. The project will lead to a reduction in Carbon Scope 2 emissions and is estimated to save 754 tonnes of Carbon per annum.

This project will also be the first on our sites in Sri Lanka and will increase our practical understanding of opportunities, challenges and commercial outcomes, of solar power for implementation at other facilities in the country.

Ethical Plan

Finlays Horticulture operations were for many years been members of the Ethical Trading Initiative (ETI) however in 2015 it was decided to extend membership to the rest of the business. Finlays has decided to maintain its membership after the sale of Finlays Horticulture.

As part of our membership we have developed an ethical plan that goes beyond compliance with International rights in the workplace and looks at learning from and developing best practice. Initially the plan will look to build on work we have been doing on gender issues (see article on page 22) going from diagnosis to having in place multiple interventions and approaches to ensure we apply best practice. Something we can then share with others.

The plan covers gender, working hours, temporary employment, modern slavery and supply chain standards.

Governance





Group operating companies

- James Finlay Limited
- James Finlay (Kenya) Limited
- Skytrain Limited
- Hapugastenne Plantations PLC (90%)
- Newburgh Green Teas (Pvt) Limited (54%)
- Udapussellawa Plantations PLC (91.5%)
- 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
- The New London Tea Company Limited
- Finlays Colombo PLC (96.7%)
- 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%)

Operating Companies sold during 2015

- Dudutech Limited
- Finlays Horticulture Investments Ltd
- Finlays Horticulture South Africa (Pty) Ltd
- Finlays Horticulture Kenya Ltd
- Finlays Horticulture Tanzania Ltd
- Finlays Fresh Produce UK Ltd
- Finlay Flowers BV
- Finlay Flowers UK Ltd
- FV SeleQt BV (51%)
- Omniflora Blumen Center Gmbh

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

The Chairman of the Board is Merlin Swire who is a Director and a Chief Operating Officer of the Company's parent, John Swire and Sons Limited.

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 three 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 also 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.

Swire Group Sustainable Development Policy



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



We aim to create long term value creation for our shareholders. Achieving this depends on the sustainable development¹ of our businesses and the communities in which we operate.

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.