REPORT 2014

# GOODNESS INSIDE

TWININGS ovaltine

## WE'RE A BUSINESS THAT BELIEVES IN DOING GOOD

THIS MEANS BEING GOOD FOR OUR PEOPLE, SUPPLIERS, THE COMMUNITIES WHO GROW OUR INGREDIENTS AND LAND FROM WHICH THEY COME

OUR BRANDS DON'T JUST TASTE GOOD, THEY ARE GOOD, ALL THE WAY FROM CROP TO CUP.

#### CONTENTS

- 4 Our View on Social Responsibility
- 5 Twinings Ovaltine
- 6 Message on Sustainability and Social Responsibility
- 8 Trading With Integrity
- 10 Our Ethical Trading Programme
- 18 Sustainable Agriculture
- 22 A Great Place to Work
- 28 Caring for our Communities
- Breaking the Cycle of Anaemia and Malnutrition on Tea Gardens in Assam
- Improving Access to Water and Sanitation in Darjeeling
- 38 Twinings and Save the Children: 10 Years of Partnership
- 42 Supporting Local Communities
- 46 Respecting Nature
- 18 Reducing Waste
- Reducing Carbon and Water Footprint from our Operations
- 56 Climate Change Adaptation in our Supply Chain
- 60 Stakeholders Endorsement
- 61 Contact Details

## OUR VIEW ON SOCIAL RESPONSIBILITY

At Twinings Ovaltine, we take pride in doing things 'properly'. This goes for the creation and continuous improvement of products, which meet the daily needs and wishes of our valued consumers, the quality of the materials we source, the processes in our factories, and the way we treat our colleagues.

We also accept responsibility to try to improve the way things are beyond our factory and office walls, and to influence and assist our suppliers, and sometimes their suppliers, to 'do things properly' as well, to the benefit of those organisations and the communities in which they are based.

These efforts involve a Code of Conduct, inspections, training, work with NGOs and company-funded development projects, and pretty much span the globe. For sure, it takes quite a lot of time and quite a lot of money.

Working in this way is not difficult, however, because everyone knows instinctively that it is the right way to operate. Indeed we are fortunate to have the opportunity to improve the way things are in the world around us as we go about our business.

las Tamas

**Bob Tavener** CEO Twinings Ovaltine

#### TWININGS OVALTINE

- •The malt and cocoa-based Ovaltine (or Ovomaltine) powder, was invented 150 years ago by Dr Albert Wander in Switzerland and is now marketed in more than 100 countries in the world,
- Twinings was one of the first companies to introduce tea drinking to the English back in 1706, when Thomas Twining started selling tea from his coffee house on London's Strand, promising only to sell the finest qualities and varieties. Now, we have over 100 varieties and our teas are drunk all over the world.
- Our growing range of exciting beverage brands include Twinings; Jacksons of Piccadilly; La Tisanière; Nambarrie; Ovaltine; Ovomaltine; Caotina; Jarrah and Options.
- As of August 2014, 2419 people work for Twinings Ovaltine worldwide
- We have offices in more than 15 countries across 5 continents and manufacturing sites in 7 countries.
- We're a part of Associated British Foods plc. http://www.abf.co.uk



#### MESSAGE ON SUSTAINABILITY AND SOCIAL RESPONSIBILITY

At Twinings Ovaltine, we work hard, together with partner organisations, focusing on issues where we can make the biggest positive difference.

Our first Report demonstrates the work we have been doing from September 2012 to August 2014 and on the next page, you can see some of the highlights of what we have achieved over the last 2 years. However, social responsibility has been an essential part of how we do business for longer than this. Twinings was, in 1997, a founding member of the Ethical Tea Partnership (ETP), a membership organisation working to improve the living and working conditions on tea gardens. We have also been working with Save the Children for 10 years and through this work have improved the lives of over 500,000 children in vulnerable communities in China.

We are working to ensure that our goods and ingredients, from tea and tins, to barley and packaging, are produced sustainably and to improve the conditions for workers in our supply chain.

We are also supporting thriving communities, from employees working in our factories in the UK, Switzerland, China, Poland, India, or Thailand, to the people that grow our key raw materials, for instance through improving access to water and sanitation in Darjeeling.

A flourishing natural environment is vital to grow the best quality ingredients for our drinks, and as a company we share in responsibility for the environment where our products are grown, as well as for reducing the environmental impact of our own operations.

We acknowledge that we cannot be most effective on our own and over the last 2 years we have worked with Save the Children, the Ethical Tea Partnership, UTZ Certified, Ergon, UNICEF, Mercy Corps, the International Cocoa Initiative, Care International, Geosansar, Rainforest Alliance, BSR, and Forum for the Future.

We are extremely pleased to share our work with you. This report presents the great and challenging work that we have been doing over the last 2 years across 3 sections: Trading With Integrity (page 8), Caring For Our Communities (page 28) and Respecting Nature (page 46). We also acknowledge that sustainability is a journey and we are dedicated to continuously drive progress.

Twinings Ovaltine Ethical Sourcing Team

HELPED
500.000
CHILDREN
IN CHINA
WITH SAVE
THE CHILDREN

2 LOST TIME INCIDENTS IN OUR FACTORIES IN 2013 / 14

HELPED TO REDUCE WATERBORNE DISEASE

BY 66 % IN 3 COMMUNITIES IN DARJEELING

OF OUR PRIORITY SUPPLIERS (TEA GARDENS, INGREDIENTS, PACKAGING AND CO-PACKERS) INSPECTED

46 OF MANAGERS
ARE WOMEN AT
TWININGS OVALTINE

OO'. TE

OF OUR TEAS COMES FROM
TEA GARDENS
THAT ARE PART OF THE
ETP PROGRAMME

OF ALL
OUR
WASTE IS
RECYCLED

FARMERS IN KENYA ARE E Q U I P P E D TO ADAPT TO CLIMATE CHANGE

HEALTH AND NUTRITION OF

GIRLS IN ASSAM TEA GARDENS

WE BUY

OF UTZ CERTIFIED COCOA FOR EUROPE

OF OUR PALM OIL
IS SUSTAINABLY
SOURCED



We want to make sure that all our goods and ingredients are produced responsibly, by ensuring that the people working at our suppliers and in our own sites are treated fairly and are working in safe and healthy conditions, and further down in the supply chain, that our raw materials are grown sustainably.

We are committed to respecting Human Rights where we have influence through our business, as set in the United Nations Guiding Principles on Business and Human Rights.

We collaborate with various stakeholders to share what we learn and drive progress across the whole industry.

We also want to create a great place to work for the people in our offices and factories; to do this we invest in helping everyone reach their potential.



## OUR ETHICAL TRADING PROGRAMME

We have hundreds of suppliers in more than 50 countries and hundreds of thousands of people work for companies directly supplying us, so it is important to ensure that people within our supply chain have decent working conditions.

Our Code of Conduct is at the heart of our Ethical Sourcing programme. It is based on the main conventions of the International Labour Organisation (ILO) and the Base Code of the Ethical Trading Initiative (ETI). It sets principles that our suppliers must follow to ensure that people producing our goods and ingredients around the world are treated fairly and have safe working conditions.

Due to our large number of suppliers, we use a risk based approach to prioritize suppliers to engage in the programme. Since the beginning of the programme until now, we have worked with all our own sites, our first tier production sites of packaging and ingredients, our co-packers, and our promotional item suppliers. For the programme covering tea plantations, see section on ETP (p.18).

We are also a member of Sedex, the Supplier Ethical Data Exchange, a labour standards sharing database which helps brands like us to track and analyse ethical data from suppliers, based on self-assessment questionnaires and inspections.

#### Principles of the Twinings Ovaltine Code of Conduct

- No forced or bonded labour
- Freedom of Association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- No child labour
- · Living wages are paid
- Working hours are not excessive
- No discrimination
- Regular employment is provided
- No harsh or inhumane treatment
- Environmental Management
- Legal requirements

## IMPROVING CHEMICAL SAFETY IN CHINA

A previous inspection at our main supplier of tins based in China, found that there were no eye wash facilities, despite many chemicals and paints being used on site. The site was required to fix this issue, but ended up installing an inappropriate water pipe, which the workers were not using.

When our Ethical Sourcing Manager visited, he was able to recommend proper eye washing stations, with water filter and controlled water pressure and show them examples of good practices.

Following the installation of the new facilities and the training given to the factory staff, the workers now feel very happy with this arrangement and are confident they can use it when needed. "We did not have the knowledge of this kind of protection facility because we did not know how it worked and what it was for, but now we get introduced with this knowledge and know about a new way to protect ourselves, we like this idea. It's good to work for our Factory"

Factory management was also very supportive: "You have managed to teach us best practices, not just closing down non-conformances by ticking the box. We feel that each time Twinings comes to audit us, this will add value to us in improving our factory management standard."





#### **Ethical Training for Buyers**

The Ethical Sourcing Team runs global internal Ethical Sourcing Training on ethical trade issues and responsible purchasing. This training is compulsory for everyone involved in the procurement of goods and ingredients. Furthermore, in order to build in-depth knowledge of ethical issues and equip buyers with the right tools to raise ethical issues to their suppliers during site visits, over the last 2 years 25 employees have been trained in Social Auditing (SA8000).

"SA8000 has given me the confidence to have difficult conversations with suppliers around ethical auditing and the outcomes of any reports. It has given me the ability to help guide our suppliers in making improvements which will lead to a more sustainable supply chain for our business", John Hibbird, Global Category Leader, Procurement

#### Supplier Ethical Sourcing Journey

- 1. A potential new Supplier is identified.
- 2. Supplier is ethically assessed and needs to be ethically approved before we start business with them.
- 3. New supplier joins the Twinings Ovaltine Supply Chain.
- 4. On-site inspections conducted regularly (every 2 years, or more in higher risk countries), against the Code of Conduct. Suppliers need to meet the requirement of our Code to remain approved. Our inspections are conducted by third party auditors or the Ethical Sourcing team, and include worker interviews.
- 5. If non-conformances are identified, an action plan is agreed with the supplier to become compliant within an agreed timeframe.
- Follow up inspections take place to verify progress and conformance with the code. These are semi-announced or unannounced.
- 7. If a supplier fails to improve within the agreed timeframe the business relationship will cease.

### INSPECTIONS AND REMEDIATION

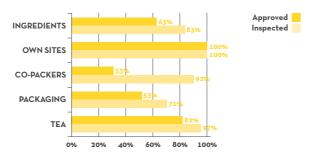
Through FY12/13 and FY13/14, we have conducted 242 inspections¹ across our supply chain. So far, we have inspected 94% of our high priority suppliers of ingredients (including tea gardens), packaging and co-packers and by the end of 2014, we plan to have inspected 100%. Currently, 79% of all the inspected sites have been approved and the remaining ones have to show progress in the next few months or will be phased out.

Additionally, in order to tackle industry-wide issues and help our suppliers meet the requirements of our Code, throughout FY13/14 we have organised training on key issues, such as health and safety, working hours, right to work, and agency labour, affecting our suppliers in the UK, China and India. So far, we have trained a total of 53 sites in these 3 countries, or a total of 18,800 workers. We are also planning to run similar sessions with our suppliers in Poland and Thailand in FY14/15.

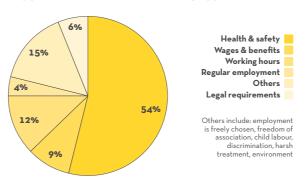
Our work with suppliers has led to hundreds of improvements in working conditions in our supply chain.

1 This number does not include certification audits (by Fairtrade, TUZ Certified, and Rainforest Alliance) that took place on some of the tea gardens we buy from.

#### Priority Suppliers - Ethical Status



#### Suppliers non-conformances by type





#### ADDRESSING DISCRIMINATION IN THAILAND

An inspection at one of our packaging suppliers based in Thailand, found that the site were specifying age, gender and sometimes weight and height during their recruitment process. The management believed that this was the best way to ensure they recruited workers who could, for example, lift the weight that would be required of them as part of the role, or who had the right sort of experience based on them not being straight out of school.

Following the inspection, the site was trained on why physical specification could be considered discriminatory, but could also prevent some good candidates from applying for the roles.

Since the training, the site has amended their recruitment policies and current adverts on their company website to reflect competencies, skills and training needed to do the role, rather than physical attributes. This has enabled women to start applying and being considered for new factory roles.



## IMPROVING PRACTICES EVEN FURTHER

We are also working with suppliers to address issues beyond factories walls that have an impact on the workplace.

In India, we are working to increase the number of workers paid through bank accounts instead of cash, which helps workers to save and manage their money safely. Indeed, without savings, people are unable to cope with unforeseen circumstances such as medical emergencies and may have to turn to 'loan sharks' for credit, ending up in a cycle of increasing debt and likelihood of poverty. Having a bank account can help address issues such as these, and also has many other positive long-term impacts for workers and their families.

In April 2014, we have started working with our Liquid Malt supplier for Ovaltine, located in the outskirts of Delhi, to train workers on the importance of savings and financial inclusion and help them access bank accounts in the local kiosk located near the factory. "After the training programme I understood the importance of savings. I have opened my bank account through Geosansar so that I can use this account for savings it will help me against temptation for unrequired spending."

"We are delighted to have partnered with Twinings to provide workers in their supply chain with financial literacy and access to banking services. Twinings and Geosansar both share common values, and this has enabled our programme to grow to create a financial inclusive economy." Nish Kotecha, President & Founder Geosansar.



17

### SUSTAINABLE AGRICULTURE

Our business depends on a consistent, high-quality supply of agricultural crops. It is therefore essential that we work to improve the livelihoods of farmers, producers, agricultural workers and their communities that produce our key raw materials.

#### Tea

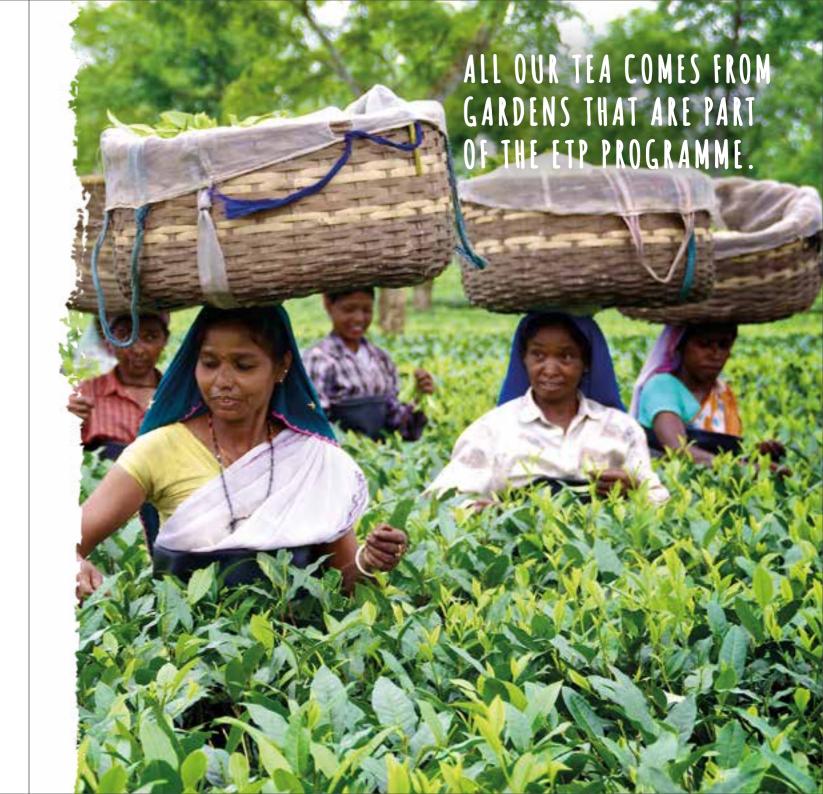
We currently buy from over 400 tea estates in China, India, Kenya, Malawi, Indonesia, Sri Lanka and Argentina. We prefer to source directly from tea estates rather than through intermediaries. We have been sourcing tea for over 300 years so we have many long term relationships that are built on trust and respect.

We buy 100% of our tea from teagardens that participate in the Ethical Tea Partnership (ETP) Programme. Given the size and scale of the tea sector, we believe that the best way to improve conditions is at an industry level and that is why we are a founder and active member of the ETP. Since 1997, ETP aims to improve the lives of tea workers and their environment, by organizing inspections of social and environmental conditions on tea estates and working to tackle key issues from gender discrimination to safe use of pesticides.

Since 2011 we've been part of the coalition between ETP and Oxfam to identify any potential issues with tea pluckers' wages in Assam (India), Malawi and Indonesia. Although we only purchase a tiny percentage of the tea produced in these regions, we are working with governments, tea producers, trade unions and tea associations to drive forward the report recommendations that address this complex issue.

In addition, we also buy certified Fairtrade and Rainforest Alliance teas for some markets and blends and 59% of the gardens we buy from are certified. Rooibos is not covered by the ETP, and since October 2013, we buy 100% UTZ Certified Rooibos.





#### Cocoa

In addition to inspecting our direct suppliers (cocoa processors) against our Code of Conduct (see p.10), we have been working with civil society and industry to tackle conditions at the farm level.

Since 1st January 2013, we have been supporting the International Cocoa Initiative (ICI) to address child labour and promote child protection on cocoa farms. Besides supporting ICI through our membership, we also work with them in Cote d'Ivoire to create a protective environment for children in cocoa growing communities in our supply chain. We are currently working in two communities, where we are not only raising awareness and putting the right safety nets in place at community level, but improving the education infrastructures and supporting women with income generating activities.

In Europe, we have been buying UTZ certified cocoa for our products since August 2013. UTZ Certified is one of the leading certification standards for cocoa. The UTZ programme enable farmers to learn better farming methods, improve working conditions and take better care of their children and the environment.

For our other markets, we currently work with selected suppliers in Indonesia that have robust programmes in place regarding sustainable sourcing and how they treat their growers, while exploring scaling up UTZ Certified cocoa.

#### Palm Oil

We recognize palm oil is linked to the livelihood of thousands of people in South East Asia, but grown without care it can seriously damage the environment by causing deforestation and loss of biodiversity.

We have reduced the use of palm oil by replacing it with more sustainable alternatives in our products, however palm oil is currently still present in some of our cocoa and malt based products in some markets.

We are proud that from 1st September 2014, all the palm oil and palm oil derivatives present in our products are sustainably sourced. Twinings is 100% RSPO certified via a combination of RSPO Segregated, Mass Balance and Book & Claim (GreenPalm) supply chain options.

We are a member through our parent company Associated Bristish Foods plc of the Roundtable on Sustainable Palm Oil (RSPO), an organisation that sets standards for the production of sustainable palm oil, and support its work to increase the availability of sustainable palm oil.







#### A GREAT PLACE TO WORK

#### Why would skilful and ambitious people want to work for Twinings Ovaltine when today's world presents so much in terms of choice and opportunity?

We address the question in several ways, aiming to create an environment in which people are able to make a difference, are able to shape the course of the business they work for and raise and implement ideas that will help us survive and prosper over the long term.

#### Our Values are key...

We have thought deeply about the DNA of Twinings Ovaltine and have identified a set of values that work together and reflect what we have in common wherever we work:



Each of our values is clearly defined, and paints a picture of what we expect from each other for example:

#### Freedom to act and scope for growth, our people...

- Have genuine respect for the views, talents and expertise of colleagues; trust in their motivation, believe in them to get the job done;
- Take responsibility, make things happen, and seize the initiative;
- Learn from their mistakes;
- Take responsibility for their own development, and help others grow.

## WE VALUE DIVERSITY IN ALL ITS FORMS...

The people who work in our businesses come from all parts of the world, bringing rich diversity of cultures, perspective and attitude. Almost half of our managers are women (46%) and we have women in the executive teams of all our businesses. We work hard to get the best out of each other and to collaborate well for the benefit of our business. In our 2013 engagement survey our scores for collaboration were very high (80%) and exceeded the norm for global high performing companies. We aim to be flexible and responsive to people's needs and have a wide range of working arrangements and working patterns in place.

#### We seek input on what works and what does not...

Every two years we ask all our employees across the globe to tell us what matters to them through our Insight survey. In 2013, people told us that overall they found Twinings Ovaltine a pretty good place to work and that our Values are very important. Employees also told us that the attention we pay to developing people is critical and confirmed that we were pretty effective in this area with 73% of people saying we were either good or very good at developing people.



# WE WORK HARD TO HELP EVERYONE GROW AND DEVELOP...

Every year we ask people to think about their achievements and the goals they want to set for themselves over the coming year.

For development plans to be really strong, we believe they should be rooted in honesty and targeted against a mutually agreed aspiration. The plan should focus on a limited number of key items and have clear success measures. Getting the right "mix" that builds and tests skill (developmental experiences 70%; learning directly from others 20% and formal training 10%) is vital, as is ensuring that the goals people set are sufficiently challenging and that they will call for stretching personal growth and development plans.

#### DEVELOPING PEOPLE THROUGH COACHING -THAILAND

The leadership team of our business in Thailand is very committed to bringing the best out of their people and they have recently spent time learning and practicing the art of coaching.

As an outcome of the training it became clear that whilst, "coaching cannot be used in all situations", when it is used the "focus on listening, clarifying, questioning and reflecting" and the "focus on the coachee's thinking" helps ensure that "the coachee has to find the solution himself". From the coachee's perspective people tell us that they find the approach energizing and empowering as they are not told what to do, rather challenged to think harder for themselves.

### CREATING TEAM SPIRIT IN NIGERIA

2014 saw the opening of a new factory in Lagos which packs Ovaltine products locally to supply the local Nigerian market.

An engaging, brand-focused 2 month induction was created to introduce people to the Ovaltine business, and build pride in the brand. The programme included market visits, product tastings, health and safety training and quality knowledge. They defined their new team values under "Our Ovo FC", based on Football team analogies.

The feedback from the Operations Manager was that the induction process was "motivating, targeted on the key strategic areas of importance for the plant (safety, quality and brand) and built a strong team unit. We're ready to 'Go-Ovo-Go!'".



# BUILDING A WINNING ORGANISATION IN UK AND IRELAND

For 4 years running, Twinings UK and Ireland has been listed in the top 25 of the Great Place to Work in the UK. This has played a key role in attracting the right individuals to the business and provides motivational initiatives for everyone to be involved. To continue to remain a great place to work, the team has developed 3 pillars for a Winning Organisation:

- Great People, to attract and retain talented people and ensure they are supported and challenged to work to their full potential.
- Great Team, to create an inspiring team that drives over-performance, for instance through House Groups competitions and Energisers on Building Trust and Rapport, and on Resilience.
- Great Communication, exceptional communications to empower everybody.



#### HEALTH AND SAFETY

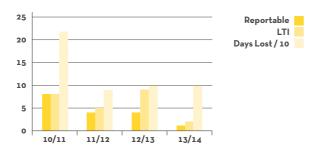
We strive for Health and Safety excellence and we are focused on developing a great safety culture with the commitment of all our employees around the world. Our top priority is to create a working environment that is incident-free at all times and we never compromise in that endeavour.

Our ultimate vision is "Target Zero" for HSE with ZERO incidents, ZERO illness, and ZERO damage to the environment.



Our sites' safety specialists around the world are working together on safety, health and environmental improvements. Since 2011, we have held an International HSE conference once a year to strengthen the communication and collaboration within the group as well as to share the best practices to work towards world class standards.

We have made significant progress over the last couple of years, with several sites having accident-free records. Our Lost Time Incidents – incidents that cause one full shift absence of the employee -decreased from 8 in 2010/11 to 2 in 2013/14, a 75% decrease. Reportable injuries reduced from 8 to 1, an 87.5% reduction, and employee days lost number improved from 21.7 to 10 in the last four years.



#### ENGAGING EMPLOYEES IN HEALTH & SAFETY

Our sites have introduced programmes to educate and engage employees to focus their attention on improving the working environment as well as Health and Safety Days in each location.

We are constantly working towards improvement of the health and wellbeing of our employees. This includes launching various health and wellbeing initiatives:

- Healthy food option in the canteens in UK and Switzerland with dietician consultation in Poland,
- · Healthy cooking and diet workshop in Australia,
- "Walk the World" initiative encouraging everyday walking in China, UK and Switzerland,
- First aid training including road accident situations,
- Dust and noise reduction programmes,
- Quit-smoking programme in China,
- Yoga classes in India,
- Health checks and awareness day in the UK.

#### WOW FACTORY CAMPAIGN, IN THAILAND

Our site in Bangkok has launched a communication campaign, focusing on the good safety, good quality and good working environment. Through the programme, employees are informed about the best practices and are encouraged to report near-misses and suggest improvements.

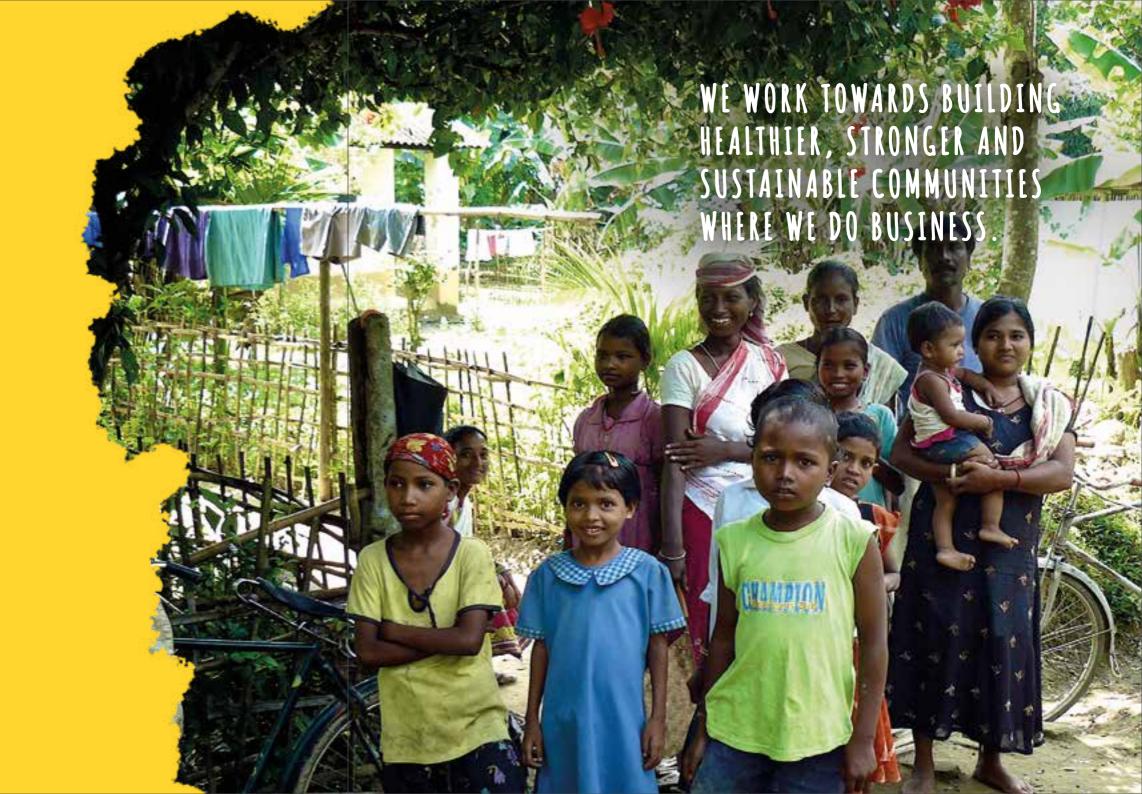


### CARING FOR OUR COMMUNITIES

We care for the communities who work and live where we do business. This goes beyond the people we employ directly; we seek to improve the lives of our growers, their families and communities. Together with our partners, we focus on the issues where we can make the biggest positive difference.

At Twinings Ovaltine we recognize the role of communities in our business, from remote tea communities who live on the tea gardens we source from, to the local communities living around our business.

We actively work towards building healthier, stronger and sustainable communities in tea growing regions from which we source. Our current tea community improvement programme aims to reach tens of thousands of people in the regions of Assam and Darjeeling in India and in Yunnan in China.



# BREAKING THE CYCLE OF ANAEMIA AND MALNUTRITION IN TEA GARDENS IN ASSAM

We have helped improve the lives of 7,000 girls in Assam tea communities through nutrition, health and life skills. We aim to reach a further 34,000.

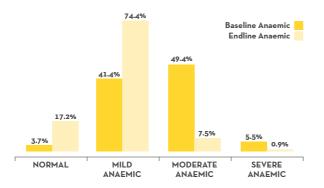
India is the second largest producer of tea in the world and most of it comes from the state of Assam. Twinings has been buying Assam tea for decades and it is really essential to some of our blends, such as English Breakfast.

However, 96% of adolescent girls and women who live on tea gardens are anaemic due to poor diet, leading to low learning levels, malnutrition and high maternal and infant mortality.

Since 2011, Twinings has been working with UNICEF and tea producers (Assam Branch of the India Tea Association), on 15 tea gardens in the district of Dibrugarh, to improve the lives of 7,000 adolescent girls and women who live with family members working on tea gardens, by reducing the

prevalence of anaemia and creating a protective environment where they can develop and thrive.

One of the key interventions was the weekly direct administration of Iron Folic Acid (IFA) to treat and prevent anaemia. As of March 2014, 96% of girls who live on these gardens are consuming IFA tablets on a regular basis (that is 48% more than at the beginning of the project). This achievement was facilitated by the peer support provided by the 43 Adolescent Girls Club set up as part of the initiative.







Mili is 19 years old, she lives on Romai Tea Estate with her family. Since 2012, she has been a Kishori mitra or adolescent peer leader. She is passionate about this role and has shown real determination in motivating the 85 girls from the two Adolescent Girls Clubs in the estate to set up a kitchen garden.

With the support of UNICEF and the tea estate manager, the girls have

established 3 kitchen gardens within the tea estate. As well as setting up the community kitchen gardens, Mili has set up her own individual garden and encouraged 40 of the girls to do the same. The yields of the community kitchen gardens are divided equally among the participants as well as being sold through the Health Food Shop, which Mili has set up and manages, along with two friends from the girls club.

The community gardens, individual gardens and health shop have made a huge difference to a whole community where malnutrition levels are high and understanding about nutrition and healthy eating is low.

Other interventions included Monthly Nutrition and Health Education sessions as well as recipe demonstrations, kitchen gardens for food diversity and health food shops to increase the accessibility and availability of nutritious and hygiene products at a lower price (sanitary napkins, vegetable, eggs, milks, pulses, etc.). 6,070 girls attended the sessions run with the support of the Assam Medical College Hospital.

So far, we have observed a reduction in the anaemia levels in adolescent girls by 14% in the 15 tea gardens from 96.2% to 82.8%, with a shift from severe and moderate anaemia to milder cases. The proportion of girls who are chronically malnourished has also reduced by a third.

Life skills were one of the core strategies of the initiative aimed at the empowerment of girls. Through building and strengthening of skills such as problem solving, critical thinking, effective communication, interpersonal relationship building, self-awareness, empathy and coping skills, these girls are now better equipped to protect themselves and their peers from all forms of harm and potentially to access better opportunities.

Furthermore, the project has been able to demonstrate that anaemia can be successfully reduced through a comprehensive and planned set of interventions. Our partner UNICEF has been able to use this to convince the government and bring development issues relating to children

and women on tea communities into the State's development agenda. This has led to a National IFA programme being expanded to cover the Tea Gardens population and will result in many more adolescent girls on tea gardens receiving these vital supplements for years to come.

For the next 3 years, Twinings will continue working with UNICEF to strengthen the protective environment and promote anaemia prevention for this vulnerable group. We aim to reach 34,000 girls in 63 tea gardens by 2017.

"The Twinings supported initiative in Assam is a great example of how the corporate sector can work with UNICEF to make a lasting difference to the children and communities that live and work around their supply chain.", Kate Goldman Corporate Partnerships Director.





Fifteen year old Kalyani Tantabai is a quiet, shy girl. When one of the trainers at a Life Skills Education session conducted in her Tea Estate asked the participants to share some of their inner-most feelings, Kalyani quietly said, "I left school thinking that since I was not performing well, there was no point in me continuing my studies, as my parents were spending money on me unnecessarily."

Despite support tuitions and requests from her family, Kalyani felt that she had a problem with remembering things, her school performance was affected and she decided to give up her studies. Her father said "During my childhood I wanted to study. But could not....as my father did not approve and I had to start work very early in life. This motivated me to provide education to all my children irrespective of the costs involved."

It was only after she attended the Life Skills Education programme that Kalyani was reassured about her abilities and regained her self-confidence. This new-found confidence influenced her decision to return to school. Although Kalyani admits that she still has some problems in remembering information and that her retention capacity is low, she is all the more determined to work out a way to meet this challenge.

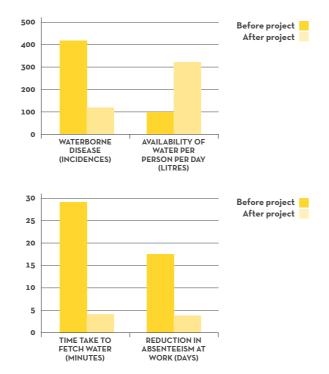
## IMPROVING ACCESS TO WATER AND SANITATION — IN DARJEELING

Twinings Darjeeling Water and Sanitation Programme has benefitted over 4,850 people since it began in December 2010 and has reduced waterborne disease in the area by 66%.

Darjeeling is located in the Northwest state of West Bengal, in India, in the foothills of the Himalayas. The region is famous for its tea, and Twinings is one of its main export customers.

Access to clean drinking water is a major problem in Darjeeling, especially in agricultural and tea communities, where people depend on nearby streams. The average water availability per person per day is just 25 litres against the India standard of 135 litres per day. Additionally, water is extremely polluted, largely because only 20% of households have proper sanitary latrines. As a consequence, the prevalence of waterborne diseases, like diarrhoea and dysentery, is extremely high.





Twinings has been working with international NGO Mercy Corps since 2010 to create healthy, vibrant and productive tea communities in Darjeeling. By providing access to clean water, building sanitary latrines and raising awareness on hygiene practices amongst the local communities, we have achieved the following results:

- 66% reduction in waterborne disease
- 4,852 people have improved knowledge of hygiene practices such as hand-washing
- •18 water systems and 672 latrines have been constructed
- Availability of water has increased by 143%
- The time taken to fetch water has decreased by 86%
- Absenteeism from work has decreased by 73%

The project has had a life-changing impact on communities: Women and children do not have to travel so far to access water for cooking and cleaning. Children have more time to attend school, and women can give more time to work and family.

"Our partnership with Twinings has demonstrated real impact, significantly reducing the levels of waterborne disease in vulnerable tea communities and more than doubling the amount of clean water available to temporary tea workers and their families. Communities are now managing the systems themselves so the programme is truly sustainable." Rosy Choudhury, Mercy Corps India Programme Director.

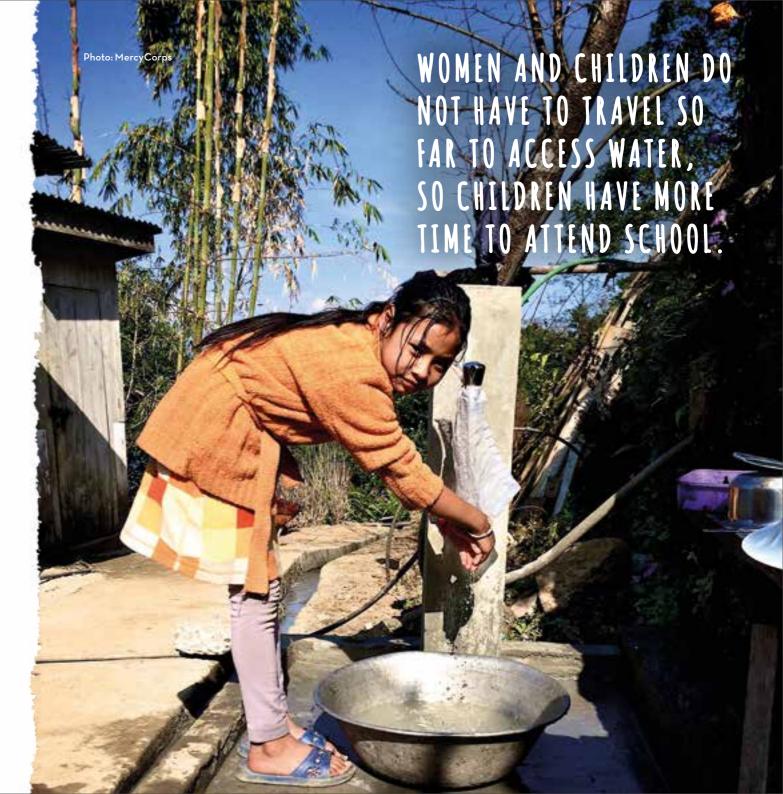




Sajana Gurung, 33, lives in the remote village of School Dhura in Darjeeling with her husband and 11-year-old son. "My husband and I work in the tea gardens during peak season, or as agricultural workers. I worry very much about my family getting sick, as the nearest hospital is 30km away.

"When the water and sanitation project first came to our community, we were in disbelief because we hadn't seen this type of work before. But I convinced my husband to invest some of our savings to buy materials to make a good latrine for our family. The small stream that flows next to us is now being rid of waste by the construction of these latrines.

"I also spend much less time fetching water every day as we now have a water hydrant right next to our home where I do our washing and cleaning. Sajana also attended an awareness talk on healthy hygiene practices. "I now understand how diseases are transmitted. Now we have both the awareness and the means to address health and hygiene issues. We now know that these changes in our community will have a big impact in our overall health."



# TWININGS AND SAVE THE CHILDREN: 10 YEARS OF PARTNERSHIP

Over the last 10 years, Twinings and Save the Children have helped more than half a million children in rural tea growing communities in China.

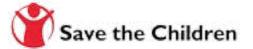
Since 2004, Twinings has been working in partnership with Save the Children to create a better future for vulnerable children in remote communities. Through our work in China we have helped to directly improve the lives of more than half a million children and helped Save the Children to influence lasting change for children nationwide.

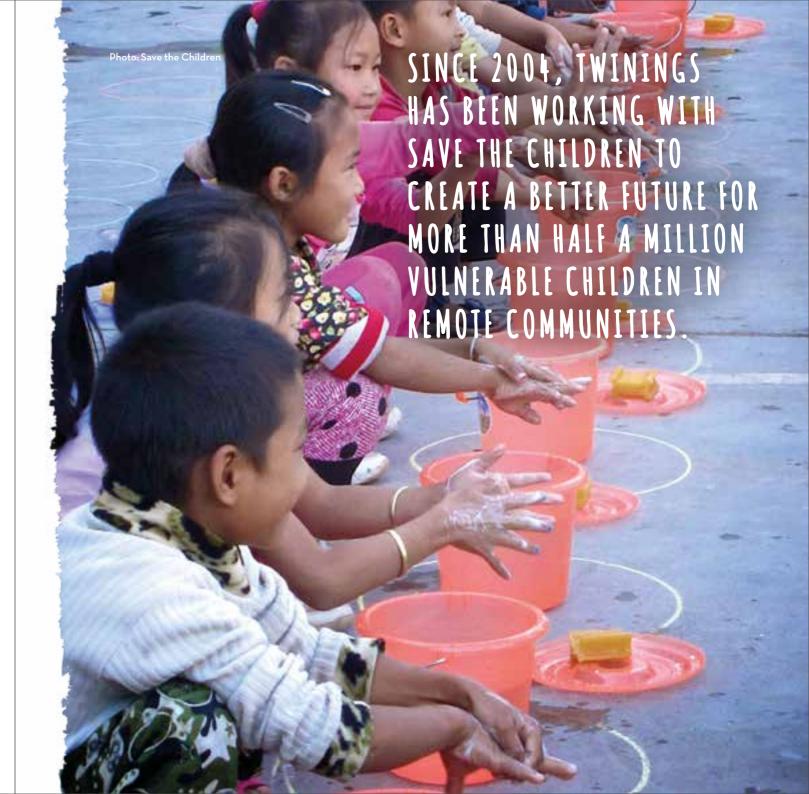
"This long-term partnership demonstrates how together with Save the Children, companies can make a difference to children and communities where they source and do business around the world, creating a real sustainable change." Douglas Rouse, Corporate Partnerships Director, Save the Children.

While China has already achieved the Millennium Development Goals for Maternal and Child Health, there are significant disparities within the country. Communities in the remote and rural tea growing region of Yunnan have limited access to healthcare

and lack knowledge on child health and nutrition, meaning children are dying from preventable and treatable diseases.

Over a third of Twinings tea comes from China and we have been working with Save the Children to improve access to quality healthcare services in Yunnan's Cangyuan County. In 39 villages over the last three years we have helped to train healthcare workers to correctly identify and treat sick children and to provide advice for mothers, as well as working within communities to increase knowledge of important health behaviours, such as breastfeeding, immunisations and simple ways to treat and prevent common childhood illnesses such as pneumonia and diarrhoea. Since it began, the Twinings and Save the Children project has contributed to a reduction in the mortality rate of children under the age of five in in the tea-growing communities of Cangyuan County, from 43.1 per 1,000 live births in 2010 to 31.6 per 1,000 in 2013.





In March 2014, 6 Twinings Ovaltine employees visited the Twinings Save the Children project in Yunnan: "As the duration of the field visit evolved, so too did the context of the Twinings relationships with project beneficiaries. Within days, both groups recognized each other not only as colleagues, but partners in the pursuit of increasing the prospects of childhood survival for future generations to come." Michael Lynch, Twinings North America.

We are also supporting Save the Children's work in Myanmar, through a 3 year project which aims to improve the health, nutrition, growth and development of children in remote communities. To date our work in Myanmar has reached 6,306 children and 6,692 mothers in 45 villages.

Our long term partnership with Save the Children means that our local offices and employees have created a strong relationship with the organisation. Our office in Thailand for example, in collaboration with Save the Children Thailand, has developed an animated video to improve children's knowledge of nutrition, food safety and personal hygiene. With support from Twinings employees and using the video produced, sessions have been conducted to teach children and young people about good nutrition.

Since August 2012, our local office in Brazil has also been supporting a programme known as Nossas Crianças (Our Children) established by Save the Children in Brazil, which aims to improve the lives of children and adolescents all around Brazil in the areas of education, protection, health and nutrition. The team has been supporting the training of small local organisations that address these issues. "I am very proud of being part of it and I know other people in the team feel the same. It is a relationship we hope will grow and evolve" Danilo Nogueira, Regional General Manager Latin America, Twinings & Ovaltine.

In 2011 and 2012, 6 employees were seconded to Save the Children offices in Kenya, Ethiopia, Liberia, India and the UK for three months. Their assignments ranged from implementing and training staff on finance systems and designing marketing materials, to providing human resources support. Volunteers returned to Twinings with a new-found confidence, having learnt new skills through their secondments; a win for both organisations.





Li Zhijuan is a village doctor in Manlai, in Yunnan's Cangyuan County. In this remote and rural area of China, where many communities are involved in the tea growing industry, rates of child mortality are more than double the national average.

Thanks to training received through the programme, Li Zhijuan and over 120 other doctors have learnt new skills, which enable them to effectively diagnose and treat children suffering from common childhood illnesses, such as pneumonia, diarrhoea and malaria. This means that more mothers and children in these remote tea growing communities can now access the health services they need.

Doctor Li Zhijuan says: "The training was quite new but also quite useful! I learnt to perform an integrated assessment of a child's condition before making a diagnosis for treatment. Besides the obvious

symptoms, I will ask about the child's general health, more specifically about diarrhoea, coughing, immunisation and diet, and check their nutrition status. With this full information, I can identify the true cause of illness and provide the most appropriate treatment.

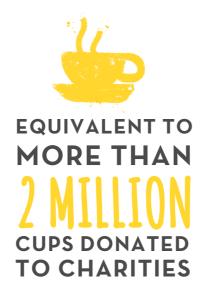
I found that it was not as hard as I expected, but it can bring about huge changes for children."

### SUPPORTING LOCAL COMMUNITIES

Around our own factories and offices, Twinings Ovaltine has also been supporting local initiatives, to help support healthier communities. The case studies below show examples of how our people have been making a positive difference in their communities.







### PAYROLL GIVING IN THE UK

After receiving the Silver Payroll Giving Quality Mark in 2013, Twinings UK was awarded Gold Payroll Giving Quality Mark in 2014, with over 10% of employees donating to charity through payroll giving.

Payroll giving allows employees to give money on a tax free basis to the charities and good causes of their choice from overseas development work, cancer research and animal protection. In addition, Twinings match fund employee donations, and over the last 24 months contributed to £240.000.

"The Gold Payroll Giving Quality Mark reflects our employees' contribution and commitment to good causes, and we are delighted to see such an engagement. We are now talking to Charities Aid Foundation (CAF) about extending this scheme to our other locations across the globe" Simon Brockett, International HR Director.





#### EDUCATION IN THAILAND VIA THE OVALTINE FOUNDATION

The Ovaltine Foundation was set up in 2008 to support young people in Thailand through education and health projects.

Every year, the Foundation aims to promote reading and inspire children to read by providing books and setting up school libraries. In 2012 and 2013, the Foundation donated books and money to equip 75 school libraries in Central and North East part of Thailand. Each year in October, the Foundation also organises the Little Librarian Workshop, to inspire children to make their library become an ideal library and teach them how to keep the books.

In addition, as part of the Positive Thinking Project Ovaltine Foundation has also awarded a scholarship to 300 students per year.

Nijawan Lakornpol, Warehouse Operator in Ovaltine Factory "I am proud to be part of this valued activity. I think that this is a good way to encourage our children to love reading. I am glad to hear that our company has been creating so many good activities to support the society and take the responsibility through Ovaltine Foundation."



# HELPING COMMUNITIES IN NEED IN AUSTRALIA

Our team in Australia has chosen to support a local charity, Knox Infolink Inc., which provides assistance to people who find themselves in necessitous circumstances in the city of Knox, which is where our offices and factory are located.

Forming 4 very competitive teams, people across the business have been leveraging work networks, gathering support from other local businesses and energetically donating as many toiletries as they can. The team had managed to receive a massive amount of toiletries ranging from tooth brushes to nappies to wet wipes. At the end of the competition, they had amassed a pallet load of toiletries to donate to this very worthy cause.



#### VOLUNTEERING FOR LOCAL INITIATIVES IN THE US

Several times a year, Twinings North America employees volunteer their time to help local charities in the area. In June 2014, a team of 12 volunteered at City Green, a local farm located in Clifton, NJ, helping with painting and gardening work.

City Green, Inc. is a non-profit organization dedicated to facilitating the establishment of urban farms and gardens in northern New Jersey's cities to enrich the lives of inner city residents, while also educating people in public health, nutrition and the environment.



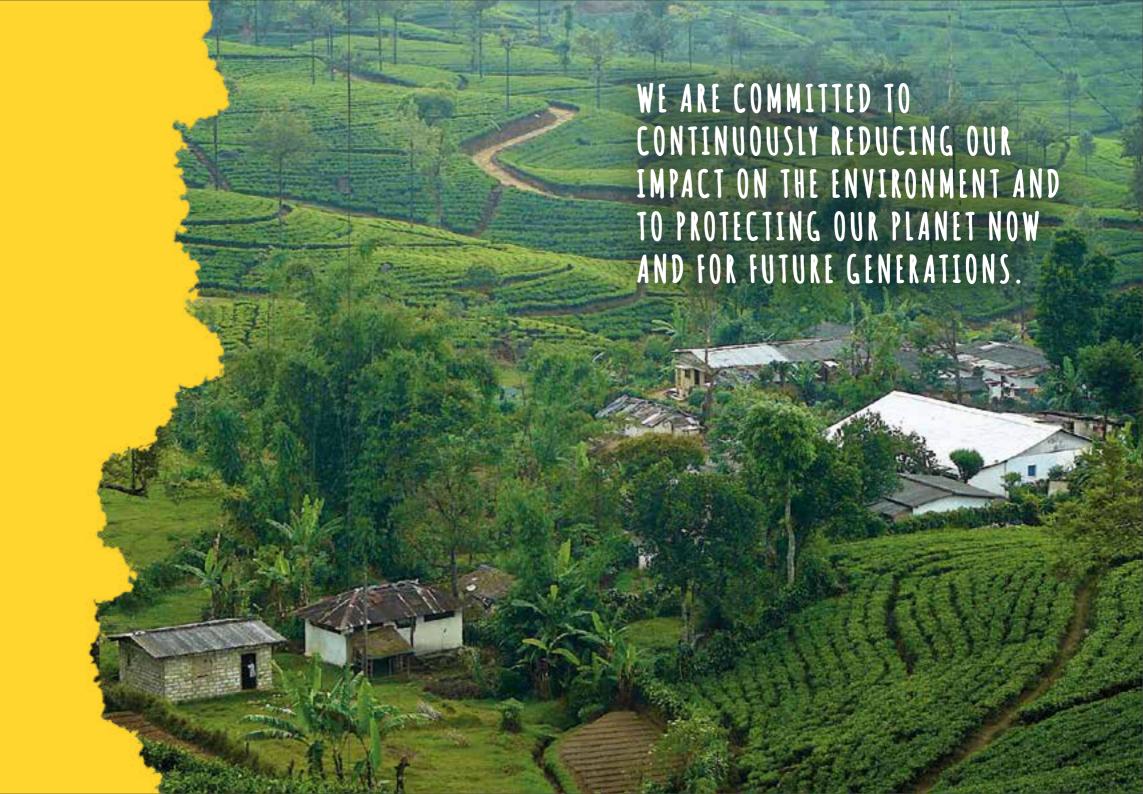


The high quality ingredients we use in our products grow best in a healthy natural environment. That's one reason why we are working with our suppliers to protect the ecosystems where our ingredients are grown, as well as looking for ways to reduce waste, water and energy use across our own operations.

Our products come from nature, and we are committed to continuously reducing our impact on the environment and to protecting our planet now and for future generations.

At Twinings Ovo, we understand the impact that our operations can have on the local environment and how improving efficiencies can help us reduce our environmental impact.

We have already made great progress towards cutting our operational footprint, and our Thai and Swiss sites are both ISO14001 Certified, which ensures that environmental standards form part of the way we do business.



#### **REDUCING WASTE**

### We aim to reduce the amount of waste produced in all our sites: in the UK, Poland, China, Thailand, Australia, USA, Switzerland, France and India.

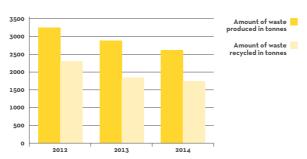
The amount of waste produced in all our manufacturing sites has decreased by 20% since 2012, and 70% of all our waste is sorted to be recycled, reused, or composted.

Our sites in Switzerland and China are zero waste to landfill and all their waste is recycled.

In the UK and Poland, we are striving to achieve this target. Recyclable waste for both the offices and the manufacturing sites, such as paper, cardboard, tea carton packaging, tins, plastics and glass is sorted and sent to recycling and our tea bags get re-used in the factory (see text box). The rest of our waste is incinerated to provide energy.

In the offices, we are reducing paper consumption by eliminating paper in our purchase order processes and payslips, where legally allowed and technically possible, and we have also replaced our paper towels with automatic hand driers.

#### TwO waste production in tonnes





#### SYSTEM TO RE-USE TEA BAGS IN THE UK

We introduced online shredding mid 2013 following the installation of 9 new machines in our Andover facility. This gives us the ability to re-use tea from defective tea bags, caused by packaging defects in production or rejected for other reasons. The shredders are fed whilst the batch is live and they segregate the tea paper from the tea through a grinding and sieving process.

The teabags enter the shredder, through a series of grinding cylinders and the tea falls through a sieve and is periodically extracted and then mixed in with the new tea and packed.

This has reduced our waste tea by around 40% across the factory. This has also reduced what we send to landfill significantly, as prior to the shredders we sent waste tea for landfill, as large quantities cannot be incinerated.

After all, we take great care to transport the finest tea across the globe, so getting every last teabag we can out of the tea we buy is critical.



# ZERO WASTE FROM LIQUID MALT EXTRACT OPERATION IN THAILAND

Our Thai site manages the waste disposal from the Liquid Malt Extract process by selling it for use as animal feed.

Spent grain, from pressing barley malt to obtain liquid malt sugars, and barley and malt husks, from the grains cleaning process, are sent to dairy farms and pig farms.

This process benefits both our Ovaltine factory and the Thai farmers through cost reductions, savings are made in the waste disposal process and farmers benefit from low cost animal feed. In the year from September 2013 - September 14, we sent more than 18,000 tons of spent grains and Barley and Malt Husk to Thai farmers.

#### PROJECT GREEN, IN OUR TEA FACTORY IN CHINA

Since September 2012, the team has been working to reduce the amount of packaging waste, through the following changes:

- Change of the current pallet plan to optimise the space on pallets,
- Elimination of the outer corrugated cases of incoming packaging materials,
- Allowing suppliers to deliver mixed pallets to reduce transportation costs,
- Delivery of packing material to the lines on demand, which eliminates unnecessary downtime by preventing the machine operator from having to collect his own packaging, but also reduces the packaging being damaged by waiting around on the production line for a long time,
- For a long time, unification of the size of plastic pallets, so that they can be reused.



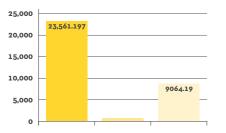
## REDUCING CARBON AND WATER FOOTPRINT FROM OUR OPERATIONS

Energy Used

Transport

In 2013/14, we started to measure carbon dioxide equivalent (CO2e) produced in tonnes per year from our operations as presented in the chart below.

#### CO2e emissions 2014



The majority of the greenhouse gases emission comes from the energy consumption of our manufacturing processes and the logistic movements of our goods. We are committed to reducing our direct greenhouse gases emissions and we have implemented a range of measures to cut our energy bills and carbon footprint.

Throughout 2012, 2013 and 2014, examples of these measures in our manufacturing sites include:

- More sustainable lighting solutions, including LED and light sensors in all facilities,
- Upgrading heating and ventilation systems so they only operate when needed in Twinings North America,
- Replacement of R22 refrigerant cooling systems in Switzerland,
- Installation of auto-stops on the conveyors to cut the energy costs in Poland,
- Heat recovery programme in Switzerland,
- Reducing truck mileage and using lower emissions vehicles,
- Optimising the use of transport equipment so more products can fit into one load and fewer shipments are needed (tea vacuum pack from India),
- Eco-driving courses for sales team in France.

We are also working towards using more renewable energies and continuing to find suitable solutions for our operations such as solar panels or biomass energy. We also buy energy from the operators offering part of the energy coming from alternative sources such as windmills.

We are well aware of water stress and scarcity around the world and we acknowledge our responsibility to reduce our water use by improving efficiency in our operations.

Although, our tea production process is fully dry and the water is used only for employee facilities and to meet the food safety hygiene standards, manufacturing sites have implemented tap touch systems to reduce water use. Ovaltine production requires water for the production process and, after use, water requires certain treatment. Our sites in Switzerland and in China own their own water-treatment plants.



# ENERGY CONSUMPTION SAVING AT OUR OVALTINE FACTORY IN CHINA

Since June of 2013, the Ovaltine Minhang factory has upgraded the process of making liquid malt extract (LME) in order to optimize production and efficiencies with the milling and filtering systems.

The results of this project have been increased LME yield and capacity and a decreased level of energy consumption per unit produced. With this initiative we can reduce natural gas consumption by nearly 300k m3 per year.

#### HEAT RECOVERY SYSTEM IN SWITZERLAND

The new air-conditioning plant installed is entirely based on a heat pump system, whereby the cooling and heating processes are fulfilled by the same piece of equipment. The source of the energy for both the heating and the cooling is the outlet flow from the water cooling channel. This 'cooling' water still contains heat from the manufacturing processes and the use of a heat exchanger allows for the recovery this energy.

Since the new system was fitted 10 months ago the site has reported a slight increase in the electrical consumption of approx.6'000 kWh, which equates to less than 10% of the previous



warehouse usage. However, there has been no oil consumption during the winter heating period, which equates to a CO2 reduction of approx. 60 tonnes of CO2 emissions/year.



#### CLIMATE CHANGE ADAPTATION IN OUR SUPPLY CHAIN

Climate change is having the most impact on agricultural commodities, in particular in tropical countries. The effects of climate change include unpredictable rainfall patterns, delayed rain and drought, destructive rain including flooding and soil erosion, warmer temperatures, increased instances of pests and disease, etc.

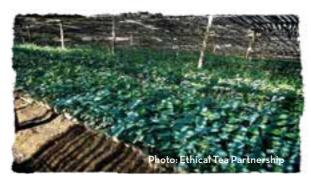
We are supporting the work of the Ethical Tea Partnership together with the German Development Agency GIZ, to help tea farmers in Kenya to adapt to climate change and to become more resilient to climate change through improved farming practices.

Adaptation measures include:

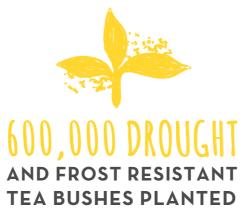
- Improving farming practices, including soil management and pruning techniques,
- Selection and introduction of more drought and disease resilient tea varieties,
- Crop diversification and introduction of kitchen gardens,

- Fuel wood conservation and access to energy efficient stoves,
- Water harvesting, conservation, and drip irrigation.

50,000 tea famers in Kenya are now better equipped not only to adapt to climate change, but most importantly to sustain their livelihoods.













Thomas Makaya is a tea farmer in the West of the Rift valley, 400Km West of Nairobi. Climate change predictions indicate that the area will lose 40% of land suitable for tea production by 2050.

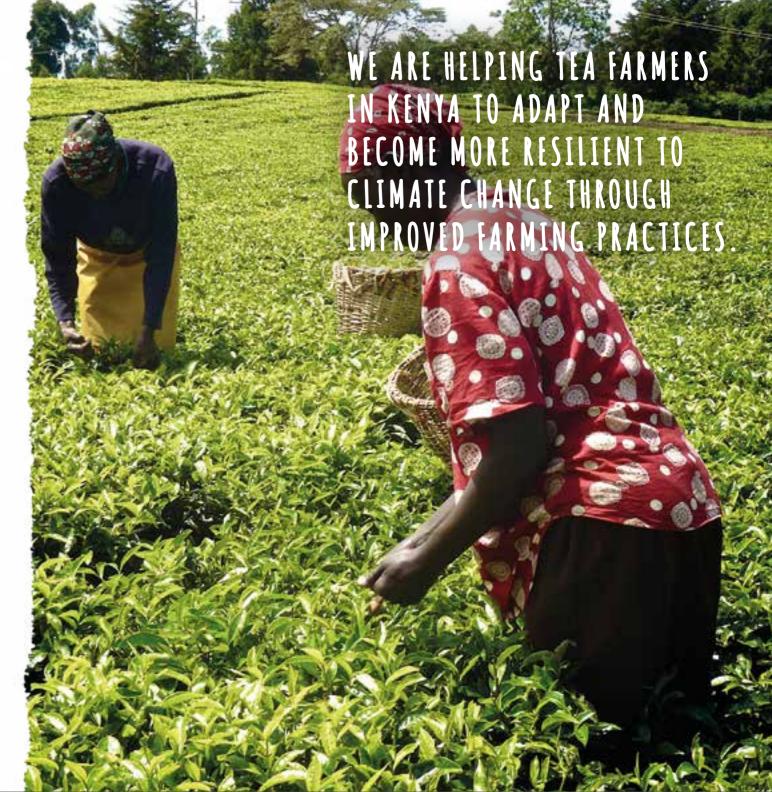
Thomas graduated from the Farmer Field School (FFS) programme and has adopted most of the adaptation (CCA) strategies he learnt. He says, "The sensitization training carried out by the TESAs on climate change really

motivated me to implement change". The Tea Extension Services Assistants (TESAs) were trained as part of the ETP/GIZ CCA funded project.

Since receiving training, Thomas was able to improve his soil fertility by composting all the waste from the kitchen and animal bedding. He's reduced water stress on his tea bushes and improved the productivity of his vegetable garden during the dry season by using tea

prunings as mulch and planting shade trees. He's also reduced incidents of pest by partitioning his farm into plots with Napier grass, which attracts insect pests away from his crops.

In addition to improving his farming methods, he also took measures within his household by purchasing a permanent and mobile energy saving stove. This has reduced his family's firewood consumption by about 70%.



#### STAKEHOLDERS ENDORSEMENT

Both tea and cocoa, fundamentals of the Twinings Ovaltine business, are commodities with a complex sustainability story. This is why it's great to see this, the first CR report from the business, which outlines how these sustainability challenges are being managed. The report demonstrates clear progress towards addressing some of the key sustainability issues which are material to the business. In particular, the ethical sourcing programme and Twinings ambitions to support all its suppliers through a number of continuous improvements and a comprehensive training programme are welcome. However, within the context of an increasing resourced constrained world, and one where worker rights in developing economies remain a challenge, there is still much to do. The good news is that Twinings has a strong platform from which to build, and through continued collaboration and determination will hopefully demonstrate continued success.

Sally Uren, Executive Director, Forum for the Future.

We are proud to be working with Twinings Ovaltine on their supply chain audits. It is rewarding for our audit teams to see that the output from the work they do is used by the client to drive improvement and that there is active follow-up on the points raised. The engagement with the suppliers, both before and after the audits, including mentoring and training programmes contributes to creating sustainable change and empowering their supply chain partners to continue their work to ensure that those working in their suppliers' facilities have decent working conditions and are treated with respect??

Effie Marinos, Sustainability Manager, SGS.

At UNICEF we understand the pivotal role that business plays as a supporter of children's rights through their core business practices. That's why we're so proud of the partnership with Twinings, where our joint vision to build sustainable source communities and advocate for change has enabled us to break the cycle of malnutrition and anaemia for more than 7,000 young girls, protecting their rights and those of generations to come??

Sarah Mitchell, Head of Partnership Development at UNICEF UK.

#### **CONTACT DETAILS**

#### R.Twining and Co Ltd

South Way Andover SP10 5AQ United Kingdom

+44 1264334477 ethicalsourcing@twinings.com

