





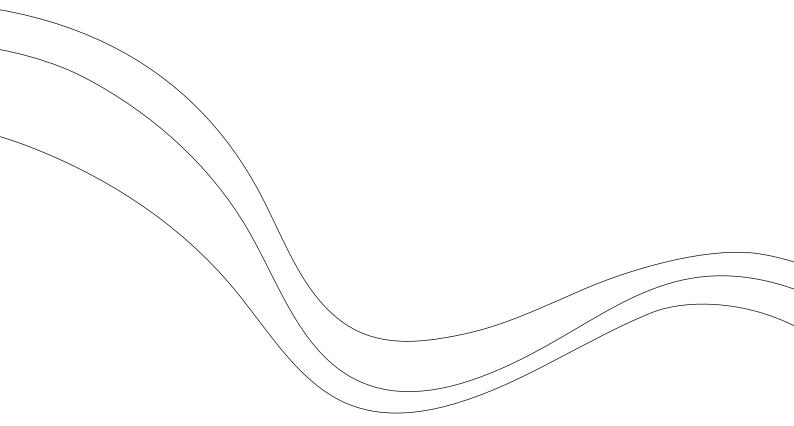
## Introduction

### Who we are

LIPTON Teas and Infusions is the world's largest tea business. Our iconic brands are united in one purpose: **Creating Value for All** with every sip, from plant to cup.

An independent company since July 2022 when our shareholder CVC Capital Partners acquired most of Unilever's tea business, we now have a dedicated focus on all types of tea, including varieties derived from the tea plant (*Camellia sinensis*) and a wide range of herbal infusions. This puts us in an even stronger position to lead the industry, deliver greater growth and value, and make a bigger impact on the wider world.

With a presence in more than 150 countries, LIPTON Teas and Infusions is a profitable and growing business whose brands delight hundreds of millions of consumers every day.



10000+

## cups tasted weekly by our experts ~1mln 150+ farmers in our network countries present 190 types of plants, herbs and flowers sourced manufacturing facilities bronze 0.58 bln medal in first EcoVadis assessment gross profit in 2023 1.74 bln revenues in 2023



## Message from our CEO

Dear reader,

I joined LIPTON Teas and Infusions because of its potential - to grow successfully as a business, and to positively change the lives of millions of people worldwide.

Long ago, I learned that shared benefits are the foundation of sustained success, and that lasting financial performance is inherently connected to the world around us. Understanding it is mutual value that truly endures, our purpose as the world's largest tea company is clear: **Creating Value for All**, from workers in the fields to tea-loving consumers and everyone in between.

## "It is *mutual value* that truly endures"

In 2023, our first full year as a standalone company, we took several big steps to advance our sustainability ambitions and inspire collective trust in a brighter future. With the support of our customers, employees, partners and other key stakeholders, we've begun building on firm foundations to positively impact people and the planet while achieving strong business results. Combining our 150-year heritage with the innovative spark of a start-up, we've strengthened the role of LIPTON Teas and Infusions as a global leader in the teas and infusions industry.

How have we done this? Our method is to consider Gen Z as a compass to guide our decision-making. This is a generation that will soon be a quarter of the world's population and is already loud in championing the social and environmental causes they believe are creating positive change. Swift to express opinions, on and offline, their visible and vocal engagement is already influencing other generations too.

Teas are ideal for Gen Z. Teas are natural and have the lowest carbon footprint after tap water. They're healthy and enjoyable without compromise. By putting our purpose into practice with rapid authentic action, we intend to meet the expectations of Gen Z, which are increasingly the expectations of the world.

We start by investing in superior-quality products for consumers, sold at the right price. Then we return that value to areas where we source our ingredients, elevating social and environmental standards there as well. Creating more value to share more value.

Reflecting on our journey, I'm especially grateful to everyone at LIPTON Teas and Infusions, and elsewhere, for supporting us in delivering growth alongside purposeful impact. Your creativity, passion, and determination have been instrumental in driving progress for our company and the wider industry.

This first sustainability report offers a clear overview of where we stand, and our exciting direction for the years to come. It's a pleasure to share it with you.

I recommend finding a comfy place to sit, brewing a nice cup of tea, and reading through our report. Enjoy!

Warm regards, Nathalie Roos

**Chief Executive Officer** 

Nathalie

## Our history



The origins of tea drinking date back millennia, but as recently as the 19th century it was considered a luxury for much of the world and the preserve of a privileged few.

That all changed with Sir Thomas Lipton, our visionary founder. With a strong dose of business acumen - and a healthy dash of marketing flair - he helped to spread the pleasures of *Camellia sinensis* worldwide.

Today, we continue his mission to democratise tea drinking. Honouring our 150-year heritage while embracing the latest sustainable innovation, we blend the best of past and present to create a more valuable future for all.



1871

Thomas Lipton opens his first grocery shop in Glasgow, UK

1890

Lipton tea "direct from the tea gardens to the teapot" first sold

1910

Lipton becomes the first to print brewing instructions on teabag tags



PG Tips launched and marketed as a pre-digestive drink

1930



T2 opens its first store in Melbourne, Australia;

1972

Lipton Tea Company acquired by Unilever

Organia - Brooke

1984

Brooke Bond Tea Company acquired by Unilever

CVC Capital Partners agrees to acquire most of Unilever's tea business

2021

TAZO founded in Portland, US

2001

Pukka founded in Bristol, UK

2022

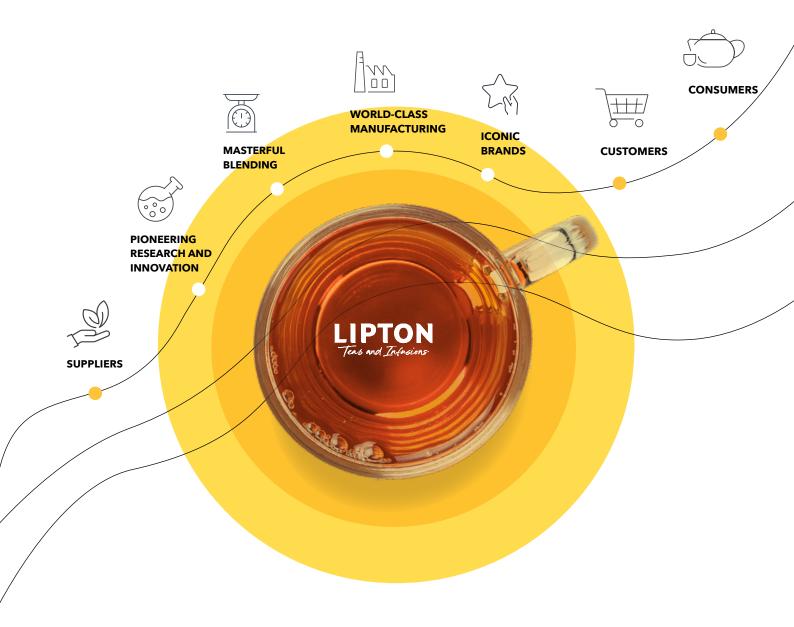
LIPTON Teas and Infusions is established as a fully independent company

LIPTON Teas and Infusions agrees to transfer ownership of its tea estates to Browns Investments 2024



## Creating Value for AU

Sir Thomas Lipton revolutionised the tea industry by driving improvements at each stage of production, all the way from "the tea gardens to the teapot". Building on that holistic vision, we reinvest at every stage of our global value chain to make our teas more appealing. **Creating Value for All** starts with high-quality ingredients, grown sustainably, and appreciated by tea drinkers.



## OUR brands

We nurture an unrivalled portfolio of brands, from local household names to global icons. Each has its own unique identity, expressing the distinctly personal pleasure of a lovely cup of tea or herbal infusion.

Together, our brands represent the incredible diversity of our industry and our commitment to putting consumers at the heart of everything we do. Here are some names you may know.



#### LIPTON

Founded in 1890 World's largest tea brand, served in more than 150 countries



Top tea brand in the UK 5.25 billion cups brewed every year





**PUKKA** 

Leading organic herbal tea brand 100% organic, fair and sustainably sourced range



Pioneer of liquid tea concentrates
TIME100 most influential companies of 2023





**T2** 

Premium tea brand with over 100 varieties 100% ethically sourced teaware

#### **ELEPHANT**

100% natural ingredients1/3 of infusions from organic ingredients



### Research & Innovation

Progress is always brewing at LIPTON Teas and Infusions through the masterful blending and pioneering science of our Research & Innovation (R&I) department.

For all our teas - whether black, green or herbal - we have dedicated global teams striving for continuous advances in quality and sustainability. Each team stays close to evolving consumer trends through local studios in all our key markets.

Because certain expertise is relevant to every kind of tea, we have expert teams focusing on shared disciplines, such as packaging innovation, sustainable agriculture, health science and product quality and safety. By working as one department, together with our customers and suppliers, we swiftly turn opportunities into scalable action.

#### **OUR R&I FLAGSHIP - COMING SOON!**

We made a major investment in our collective future in 2023 by selecting Amsterdam Science Park as the location for a new global research centre. We're set to move into the park's newest building – a facility with extensive lab and office space plus exceptional sustainability credentials – in mid-2024.

The location itself is perfect, right in the heart of a vibrant innovation ecosystem where students, scientists and companies of all sizes rub shoulders and use their talents to shape a better future. We can't wait to move in and unleash our full potential in **Creating Value for All.** 



### Manufacturing

Across our global network of high-tech factories, the Manufacturing team in our Supply Chain department process the best leaves and herbs from around the world and blend them to suit diverse consumer tastes. These delicious teas and herbal infusions are then carefully packaged for distribution to retailers and partners.

We operate nine facilities ourselves and work with third-party manufacturers in another 50 locations worldwide.

#### REFRESHING OUR MANUFACTURING NETWORK IN 2023

Throughout 2023, we made considerable investments in our manufacturing sites to continue making top-quality teas more sustainably.

We significantly enhanced efficiency and productivity at Trafford Park, a site near the UK city of Manchester that's been home to our PG Tips brand for almost a century. As part of the factory's modernisation, we installed new machinery that produces square teabags, replacing the pyramid shape of previous years. In addition to elevating product quality, the new design allows for more compact, appealing and sustainable packaging. The Trafford Park upgrade also prepares us for a new chapter in PG Tips history, as this beloved brand launches a fresh advertising campaign to promote a revolutionary teabag that delivers perfect flavour release in just 60 seconds.

Meanwhile, construction is progressing smoothly at our state-of-the-art Kaplan factory in Sakarya, Türkiye. The site, which is due to be fully operational by the end of 2024, represents a new frontier in sustainable tea manufacturing by being automated, energy efficient and waste free.

In Dubai, UAE, we agreed terms to install a solar plant on the roof of our Jebel Ali factory. This initiative is set to reduce the site's greenhouse gas emissions by an estimated 410 tonnes per year - equivalent to planting approximately 15 000 trees.



## Sourcing

Tea is the world's most popular beverage after water, with 6.5 million tonnes of *Camellia sinensis* produced annually. Our Procurement team, part of our Supply Chain department, sources from 17 of the world's main tea-producing countries, processing 205 000 tonnes each year to craft more than 150 distinctive blends.

The sourcing of tea is highly complex. Supply levels depend on unpredictable harvests and specific local growing contexts, demand is influenced by constantly evolving consumer tastes, and the supply chain itself is split between smallholder farmers and large estates.

To navigate this complexity and achieve the best value for consumers, our Procurement team starts by identifying global demand for different blends. These insights are then combined with supply volume data gathered from thousands of origin points. Throughout this process, our team uses their expert industry knowledge, together with our top-secret TeaLingo™ classification language, to find teas that meet our rigorous quality requirements.

We buy from auctions and directly from producers. Auctions provide the largest proportion of our tea today. Such platforms facilitate market access for producers of all sizes yet preclude longer-term relationships that typically support social and environmental efforts. Our exact sourcing origins vary from week to week. During 2023, we sourced more than 50% of our tea from smallholder farmers. More than half of our tea came from Kenya in 2023. Other major tea origins included Indonesia, Argentina, Türkiye, Malawi and Tanzania.

#### **HERBAL SOURCING**

We work closely with suppliers from 30 different countries to source around 190 different types of botanicals used in herbal infusions. Our suppliers work with farmers or wild collectors to gather and process various herbal ingredients, which are then refined, blended and processed at our factories before being shipped to consumers.

The majority of our herbal ingredients come from cultivated land, and the rest from a mixture of partially wild and fully wild sources.

#### STEPS AFTER SOURCING

Agriculture and sourcing are the start of our supply chain but just the first steps on a journey that goes all the way from the gardens to the teapot. Every step is vital and needs to be sustainable for all the more than 150 countries where we are present.

#### A NEW APPROACH THAT CONNECTS PEOPLE, THE PLANET AND TEA QUALITY.

**Creating Value for All** requires a sourcing approach that encourages rapid social and environmental progress, which is why we've been working with our stakeholders to find a better way forward. The goal is to generate more value - in the fullest sense of the word - for suppliers by elevating quality in conjunction with workers' rights, climate change mitigation and nature protection.

Our new and emerging approach is based on extensive engagement with producers around the world. These conversations have helped us identify three main impediments to progress in typical sourcing practices: they tend to treat interconnected factors as distinct; they cause costly inefficiencies without reward for producers; and they lack flexibility or understanding of diverse local realities.

Drawing on stakeholder feedback - and our own experiences - we have co-created a new framework built around a progressive scorecard for all three dimensions of quality, social and environmental standards. The system is designed to strengthen transparency and efficiency while rewarding improvements, achieving this through mutual recognition of existing verification processes, open access to the results, and other industry-first measures.

By the end of 2027, we intend to have 100% of our tea suppliers using this holistic sourcing framework. We are also sharing details of our approach with other companies, a move intended to generate industry-wide impact. Together, we will build a sourcing ecosystem that meets today's demands and paves the way for a thriving and resilient industry long into the future.

-1 mln
farmers in
our supplier
network

13 mln

people
reliant on
tea farming
worldwide



## Message from our CCSO

Dear reader,

Teas are wonderful drinks, packed full of various important health benefits. As natural products, they can be grown without major planetary impact, requiring only minimal processing. Every day, they offer pleasure and comfort to hundreds of millions of people around the world.

However, decades of emphasis on quantity over quality have commoditised tea to the detriment of everyone. When the typical retail price of a teabag is as low as two cents, why are we surprised that growing and harvesting standards are often not met?

Farmers who comply with well-meaning but extensive and rigid requirements have not received their fair reward. A growing regulatory burden, plus the threat to harvests due to climate change, is putting unsustainable pressure on supply chains.

To reverse this trajectory, we must - and we will - unlock the true value of tea within a generation. Increasing value is at the heart of our company strategy. Indeed, our commercial and sustainability agendas are inseparable.

Creating value begins with consumers - and a key part of that is helping them understand and embrace the **health & well-being impact** of teas. In support of this goal, we're investing in rigorous scientific research to create a complete understanding of these benefits and engaging with public health institutions and others to advocate for teas globally.

In parallel, our pursuit of quality will see us move far beyond food safety regulations. By producing top-quality teas with known health benefits, we can increase consumers' appreciation of value and encourage demand that will support vital transformation across the supply chain.

Strengthening consumer value and demand will improve livelihoods for everyone in the supply chain. While fair pay is clearly not the solution to all the challenges of manual work in remote agricultural regions, we know that when the job is valued, so is the person.

Given the nature of employment in many tea-growing roles, achieving progress is complex. That's why we're working to create industry-wide momentum that leads

to real transformation. In the meantime, we're also taking practical actions to deliver **social impact** more quickly. Having identified effective ways to change unequal power dynamics that increase the risk of exploitation, we're requiring our suppliers to take simple but impactful steps that improve the safety and dignity of work for all.



Tea crops play an important role in our global economy - but they depend on nature and the climate to grow and thrive. Although the **environmental impact** of tea cultivation is comparatively low, we're leading efforts to ensure that teas don't harm the ecosystems on which they rely.

Through regenerative agricultural practices, we may ultimately become nature positive but, for now, we're guided by a clear goal: achieving net zero emissions across our value chain by 2040. This requires rapid decarbonisation, as absolute reductions achieved now have the greatest impact on limiting climate change.

While this transformation won't be easy, we'll stand shoulder-to-shoulder with farmers at every stage of the journey. We're committed to helping people in the tea industry gain access to skills, knowledge and opportunities that will increase the quality of their teas and diversify their incomes. Through initiatives such as the Lipton Tea Innovation & Technology Academy, we will empower individuals and support the introduction of a new approach to sourcing.

None of this would be possible without the incredible company-wide culture of shared responsibility for sustainability that infuses everyone at LIPTON Teas and Infusions. Their passion to drive progress for people and the planet will make sure we are **Creating Value for All**.

Warm regards, Gareth Mead

Chief Communications & Sustainability Officer

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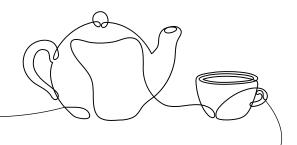
## Sustainability strategy

Our sustainability strategy focuses our efforts, allowing us to make a greater impact. While our priorities are not exhaustive of all the risks and opportunities faced by the industry, our strategy tackles significant material challenges and will help us unlock the true value of tea within a generation.

There are three pillars to our strategy: health & wellbeing impact, social impact and environmental impact. Each pillar is backed by comprehensive

plans covering both long- and short-term actions. Our ambition for 2040 outlines a clear strategic direction, serving as a guiding framework for our sustainability goals.

Progress on all three pillars will be driven by our approach to responsible sourcing and enabled by widespread training and skills development. This strategy is central to our purpose of **Creating Value for All.** 



### Unlocking the true value of tea within a generation

	SERVING HEALTHIER AND TASTIER TEAS	UPLIFTING LIVELIHOODS	ACCELERATING CLIMATE ACTION	
VISION	Teas' benefits are clearly known and embraced by society	Tea provides decent and respectful work for all	Tea is grown in harmony with nature	
2040	Opinion formers in health/science endorse teas' proven benefits	Everyone in our value chain earns a living wage/income	Net Zero achieved across our value chain	
NABLERS	INDUSTRY COLLABORATION & PARTNERSHIPS  Developing a sustainable sourcing framework to connect quality, social and environmental standards  WORKFORCE TRAINING & SKILLS DEVELOPMENT			

Supporting education from vocational courses to advanced degrees in tea and herbal cultivation

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## Double materiality assessment

To prioritise our sustainability efforts and achieve maximum positive impact, we first wanted to understand how we affect, and are affected by, the world around us.

Guided by the requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) - which will apply to LIPTON Teas and Infusions from 2025 onwards - we have conducted our first double materiality assessment to define the most important topics for us and our stakeholders.

This assessment considers variables across two categories:

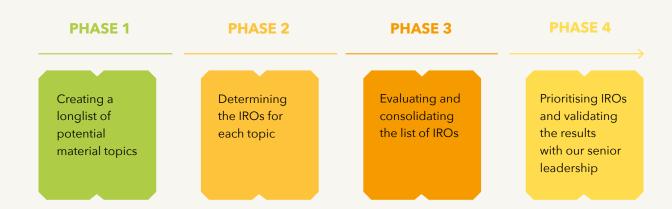
**Impact materiality:** How our operations and practices affect the environment and wider society

**Financial materiality:** Risks and opportunities that can significantly influence our performance, development or financial value

Together with our partner ERM, we examined a wide range of sources, including internal documents, international standards and frameworks, and the activities of peer companies, as well as sector trends and media analysis. We also held deep-dive sessions with 20 subject matter experts across our company. Based on all these inputs, we identified 21 relevant sustainability topics.

Our next step was to conduct interviews with 34 internal and external stakeholders. The internal stakeholders represented a wide variety of departments and regions. Externally, we consulted people from a representative range of groups, including customers, suppliers, industry associations, unions, non-governmental organisations and academia. Each participant started by reviewing our sustainability topics, then shared their opinions on impact and financial materiality. This resulted in a list of around 300 potential external impacts and internal risks and opportunities (IROs), which were then synthesised and validated to produce a condensed list of 175 distinct issues.

Working groups composed of subject matter experts then scored the IROs from one to five according to their perceived likelihood, severity or size of their financial effect.



IMPACT MATERIALITY: PARAMETERS				
Severity	Scale	How serious the negative consequences are or how beneficial the positive effects are for people or the environment		
	Scope	How widespread the impact is		
	Irremediable character	Only negative consequences (whether and to what extent the negative consequences can be remedied)		
Likelihood For potential impact: How likely is the impact to occur		ely is the impact to occur		
FINANCIAL MATERIA	NANCIAL MATERIALITY: PARAMETERS			
Size of potential financial effects (operational, legal/regulatory, reputational)		How big the potential financial impact is		
Likelihood		How likely is the impact to occur?		

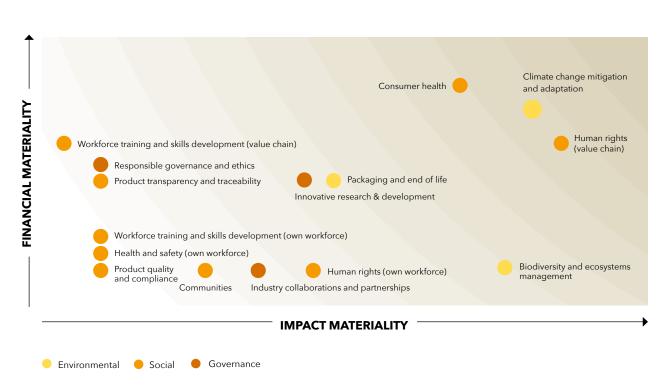
Our scoring methodology also involved identifying the relevant impacted area of our business and the time horizon for each IRO. In addition, our Finance department validated the financial materiality in line with our company's long-term strategy.

Having established all these key data points, we used a CSRD-informed formula to produce final values across both materiality categories:

**Impact materiality final score:** Severity x likelihood **Financial materiality final score:** Size of potential financial effect x likelihood

After determining which IROs exceeded our threshold of 20 out of 25, we grouped them into our overarching sustainability topics. This prioritisation resulted in a set of 50 material IROs, sorted into 15 topics. In parallel, these topics were mapped according to the European Sustainability Reporting Standards (ESRS), the framework for reporting under the CSRD. For more details on our approach to CSRD, see the **Other information** chapter.

Once our Executive Leadership Team and Supervisory Board reviewed and approved these topics, we visualised them in a simple materiality matrix to complete our double materiality assessment.



## Sustainability governance

To ensure the long-term success of any business, sustainability should be integrated into all its operations and decision making.

At LIPTON Teas and Infusions, our Supervisory Board provides oversight over the Management Board's work to ensure alignment between our sustainability and business strategies, while our entire Executive Leadership Team is fully committed to embedding sustainability into everything we do. Our Chief Communications & Sustainability Officer, part of the Executive Leadership Team, leads the development of our sustainability strategy and guides its practical execution.

As we move from high-level strategy to delivery, we rely on the contributions of a company-wide team of subject matter experts. Each member owns a specific material topic, using their expertise to contribute to relevant policies and strategies, as well as the development and execution of action plans and initiatives. They are also responsible for delivering progress reports and advising senior leadership on emerging industry trends, best practices and stakeholder expectations. The team meets monthly to align on successful approaches and areas for improvement.

#### CEO AND EXECUTIVE LEADERSHIP TEAM

- Embed sustainability in our plans and operations
- Maintain alignment with our business priorities
- Ensure resource allocation on sustainability priorities
- Connect their respective departments and teams

- Advocate for sustainability matters
- Identify sustainability priorities and sets targets
- Oversee sustainability policies and initiatives
- Communicate progress internally and externally

CHIEF COMMUNICATIONS
& SUSTAINABILITY OFFICER



### Consumer health

**Creating Value for All** begins with creating quality teas and infusions that delight and contribute to healthier, more fulfilling lives with every sip.

It's long been understood that teas are good for us. Today, advances in health research are starting to reveal exactly how and why. As industry leaders, we're in a unique position to help consumers recognise the value of teas in supporting our everyday well-being.

#### **CHAMPIONING NATURE'S SUPER-BEVERAGE**

A growing body of scientific research associates *Camellia sinensis* with various health benefits, with the most evidence supporting cardiovascular health. Through rigorous science, expertise and advocacy, we share these benefits wherever possible with consumers, scientists, healthcare professionals and government authorities.

To maximise our positive impact on consumer health, we also work with various organisations. Through these partnerships, our messaging reaches a greater number of consumers and healthcare professionals.

#### **SPREADING THE WORD ON HERBAL WONDERS**

Many herbs and spices are also connected with health benefits. For example, traditional medicine recommends chamomile tea for relaxation and improved sleep. Herbs and spices not only provide flavour and variety to diets, but research is increasingly finding that their benefits may extend to improvements in health and longevity. For this reason, consumption of herbs and spices, such as drinking herbal teas, has been recognised as an important part of healthy dietary patterns.

US ACTIVITIES	UAE ACTIVITIES
National sponsor of the American Heart Association's "Life is Why" program	Key sponsor of Dubai's 30x30 initiative to promote physical exercise
US Department of Agriculture's MyPlate Silver-level Strategic Partner	Engage with leading universities to provide students with in-depth understanding of tea cultivation

#### **HELPING CONSUMERS MAKE HEALTHIER CHOICES**

For the sake of people and the planet, we're committed to promoting responsible nutrition. That begins with providing clear information on the composition of everything we sell. All our products align with regulations on labels and allergen requirements in every country where we do business.

At the same time, we continuously assess our portfolio to make sure our product offerings meet the taste and dietary needs of our consumers. Given the contribution of beverages to the diet and the necessity of following globally and nationally

recognised dietary and nutrient recommendations, we have developed Responsible Nutrition Standards to guide us. These standards include defined criteria for sugars, saturated fatty acids, and trans-fatty acids, aligned with the strategies of the World Health Organization and the United Nations.

## Communicating the benefits of flavonoids



"Translating the latest scientific research into impactful education helps consumers recognise the value of consuming unsweetened green and black tea. In our diets, tea is one of the top sources of flavonoids – naturally occurring bioactives associated with supporting heart health. Consuming two cups of tea every day is a convenient and delicious way to help support our health."

Joy Dubost PhD RD, Global Director Health Science & Regulatory Affairs



In the UK, our Pukka brand ran a "Spice up your Life" campaign, aiming to educate people on the health benefits of consuming herbs and spices. This included partnerships with universities and educational charities to develop effective educational materials on incorporating herbs and spices into everyday diets.

Our Rainbow Paper, a science-based policy document launched in February 2024, calls on the UK government and policymakers to take the following three actions:

- Include herbs and spices in the dietary recommendations in the UK Government's Eatwell Guide
- Invest in research into the health benefits of herbs and spices for metabolic diseases
- Implement a curriculum to teach about the benefits of herbs and spices in school cooking lessons.

In early 2024, we launched our 2 Cups to Goodness campaign in the US, France, and Pakistan to reinforce the value of drinking green tea.



Making high-value teas and infusions that people want, and need is a key responsibility - but we have to go further than that. Our products must be safe to drink, meet our demanding quality standards, and comply with an evolving regulatory landscape.

Realising this vision starts with living a culture of excellence every day. Our master blenders use their expertise to procure the right batches of ingredients, then taste the tea blended at our factories to ensure its top quality. All our processing facilities are compliant with the FSSC 22000 standard of food safety.

Still, these actions are just a few pieces of the puzzle. It's equally important to have a clear process for coordinating and directing our quality-related activities. That's where our Quality Management System (QMS) comes in.

We constantly update and revise our QMS in line with the latest requirements and quality best practices from around the world.

It governs all the main areas affecting the safety and quality of our products:

- Design
- Supply
- Manufacturing
- Distribution

In the rare cases when a product is found to pose a possible risk to consumer safety, doesn't meet product specifications, or is not compliant with legal regulations, we act immediately.

Our Market & Product Incident Management (MPIM) Standard helps us do this in a consistent, effective manner. It specifies various types of incident classification:

- Whenever a product is unsafe or poses a high or medium risk of reputation damage, we recall or withdraw the product immediately
- If a non-conforming product is safe but poses a low risk of reputation damage, no immediate market action is required
- If authorities in a specific market complain that a product doesn't comply with regulations, this may or may not result in withdrawal or recall



We had no significant issues related to product health and safety during 2023. We issued one product recall in La Réunion following the presence of the *Lasioderma serricorne* beetle in port warehouses on the island.

#### BEYOND COMPLIANCE: LEADING THE INDUSTRY ON ELIMINATING CONTAMINANTS

Pesticides are widely used in agriculture but can have negative consequences for biodiversity and consumer health. Acknowledging the urgent need for alternative forms of pest control, we've worked hard to develop an Integrated Pest Management (IPM) method that removes the need for insecticides or herbicides on tea estates.

Even when pesticides are not directly applied to tea plants, contamination is still possible from neighbouring fields and other nearby agricultural uses. Our ambition, therefore, is to achieve negligible levels of pesticides in all our products sold worldwide.

To reach that goal, we're launching a full-spectrum response, establishing forward-looking partnerships with other companies, and engaging with trade and scientific partners to advance the use of IPM techniques worldwide.

This effort has required extensive collaboration from our Research & Innovation and Supply Chain departments, together with colleagues and partners working directly in tea cultivation. The results have been very positive so far, with IPM initiatives piloted in estates in Kenya and Rwanda covering more than 8 000 hectares. These sites no longer use any pesticides, including glyphosate, and we are now helping more suppliers embed the same standards in their own operations.

Going forward, we'll continue using our experience and expertise to help shape a pesticide-free future for the entire teas and infusions sector.

## Product traceability and transparency

We occupy a central position in the teas and infusions value chain. Our network spans thousands of direct suppliers who provide raw ingredients, packaging materials, third-party manufacturer (3PM) services and more.

Once we've crafted the ideal blends for consumers in different markets, our packaged products make their way downstream to retailers and distributors - and ultimately, into a perfect cup of tea. There are many links in this chain and we're determined to promote responsible, sustainable practices at every stage.

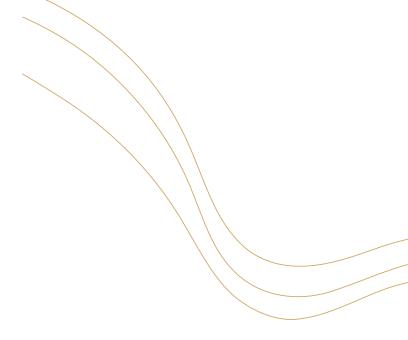
To support this ambition, we apply our Global Traceability Standard - a process that enables precise upstream tracing and downstream tracking throughout our value chain. It involves careful monitoring of all our ingredients, intermediate products, processing aids, primary packaging materials, promotional items (for example, gifts offered with product purchases) and finished products.

The Standard also requires thorough data collection on manufacturing at our own factories and 3PM facilities, plus our distribution and storage channels in all markets and countries where we do business.



Across our global operations, all finished products receive a unique code to aid with downstream tracing. Our coding policy covers all finished goods produced at our own factories, by 3PMs and by repackers that create new retail-ready packages.

We also record supplier batches used internally and finished products provided to our company. At least once a year, our teams conduct traceability trials to test our capabilities to identify the origin, history, location and handling of items in our supply chain. During the trials, we check that we have maintained detailed, accurate information across the key stages of our product journey.





mark. A selling mark denotes the processing site where freshly plucked tea leaves from the surrounding local area are taken and dried. The tea could come from a single estate or multiple nearby farms. We are working with our suppliers to reach the same high standard for our herbal ingredients. on the LIPTON Teas and Infusions website.





Everything we do starts with our people. To help them reach their full potential, we're making LIPTON Teas and Infusions a great place to grow.

#### **GROUNDED IN REALITY**

Our people are passionate about **Creating Value for All** - and they've got the skills to reach that goal. Mastering new challenges and judging risks, they can easily navigate complexity and ambiguity while always keeping the customer top of mind.

#### **RESPECTFUL FOR ALL**

Colleagues celebrate uniqueness and diversity, inspire and empower others, and demonstrate courage and empathy in all their interactions.

#### **FOSTERING OWNERSHIP**

This is all about our bold entrepreneurial spirit, curiosity and our willingness to take accountability for our decisions and outcomes.

#### WINNING TOGETHER

We know what it takes to get results. Thinking creatively and strategically, we embrace challenges with resilience and build each other up to grow as a team.



We became operationally independent for the first time in 2023, a year after the transaction that created our company. This has allowed us to begin implementing the right policies, structure and resources to support our future growth and create an entrepreneurial working environment where people feel fully empowered and able to thrive.

#### MEASURING AND ENCOURAGING ENGAGEMENT

Building engagement is key to our success. Through our partnership with Gallup, we track sentiment across our entire organisation throughout the year, enabling us to identify strengths and areas for improvement. These results then form the basis of team plans, in which people take shared ownership for collective action.

#### CONNECTING WITH WORKFORCE REPRESENTATIVES

Through collaboration and open communication, we seek to build constructive partnerships with unions, works councils and other labour representatives that support the well-being and satisfaction of our workforce. We continue to uphold labour rights, maintain transparent dialogue and establish a positive working environment in which everyone is valued and respected.

#### **Uniting with unions**

At both local and global levels, we work to ensure positive and productive labour relations. Our management teams meet regularly with locally elected representatives to discuss and resolve issues as well as provide information on any potential changes. Open, transparent and regular communication is at the heart of our approach.

32% of our people and 57% of blue-collar workers (not including T2 workers or those who work on tea estates) are covered by collective bargaining agreements. We also conduct routine benchmark assessments of working practices to benefit those not subject to collective bargaining agreements.

#### The Works Council

LIPTON Teas and Infusions is headquartered in the Netherlands, where the Works Council is the official representative body for employees. We go beyond what is required under Dutch law (Wet op de Ondernemingsraden) to make sure the Works Council has a voice in our company - even when formal consent or advice is not required. Regular meetings with our management provide opportunities for open dialogue, sharing information and putting questions to our management team.



#### **PARTNERING WITH THE IUF**

The IUF is the global union for workers in food processing and related industries. This international organisation of local unions includes representation for people at our factories in the UK, US, Türkiye and Pakistan. We work together constructively on relevant topics, such as employment conditions and trade union rights. In January 2024, we formalised this relationship by signing a joint Memorandum of Understanding.

We are committed to ensuring our workers can freely exercise their internationally recognised rights - in particular, their rights to union membership and collective bargaining - without fear of retaliation, repression or any other form of discrimination.

"We welcome LIPTON Teas and Infusions' commitment to this important sector, which employs millions of people worldwide. We believe our agreement will help to improve working conditions and sets a target to which others in the industry should aspire." - Sue Longley, IUF General Secretary

#### **OCCUPATIONAL HEALTH & SAFETY**

Keeping our people and site visitors safe and healthy is a top priority. Our Safety, Health and Environment (SHE) Framework Standard applies across all LIPTON Teas and Infusions facilities, including corporate offices, research centres, warehouses and distribution centres.

Under the Standard, every part of our organisation conducts its own impact and risk assessment and develops Occupational Health & Safety (OH&S) plans. These plans must comply with relevant local legislation and corporate policies, maintain clear objectives and targets, and include appropriate emergency plans. OH&S information must be readily accessible, sites need to hold regular, inclusive training sessions, and workers should be empowered to be part of a strong safety-first culture. The most senior person in each team is responsible for the implementation and performance of their OH&S plan, supported by regular briefings from OH&S experts.

With this company-wide structure in place, each department can implement effective OH&S rules for its own operational context while always meeting core, non-negotiable standards.

#### **REMUNERATION AND PROGRESSION**

For office-based employees, we apply global performance evaluation processes to deliver annual salary increases and bonuses. We evaluate employee performance by setting annual objectives and providing regular feedback on progress towards those goals.

#### **Short-term incentives**

Our short-term incentive scheme in 2023 was based on achieving key performance indicators relevant to, and aligned with, our business strategy. We are adjusting the scheme in 2024, moving away from traditional annual fixed targets to a new reward framework that supports continuous growth. Guided by our value of fostering ownership, our scheme will unlock partial payouts whenever we achieve certain revenue and gross margin levels.

#### Career development and skills building

We provide our people with learning and development opportunities to support them in achieving their objectives and building their skills. Employees have many opportunities to engage with our company's journey more holistically by pursuing projects beyond their immediate roles. We also seek to stimulate a culture of entrepreneurship by making LIPTON Teas and Infusions a safe space for everyone to be proactive, speak up, take risks and learn from failure.

Going forward, we will provide formal development and career plans for all employees, with a full process set to be rolled out in 2024. In addition, we are establishing graduate and apprenticeship schemes to attract and develop fresh talent from diverse backgrounds.

These efforts are supported by our proud membership of the Corporate Champions for Apprenticeships (CCA) alliance, a global framework on quality apprenticeships aligned with International Labour Organization (ILO) recommendations.

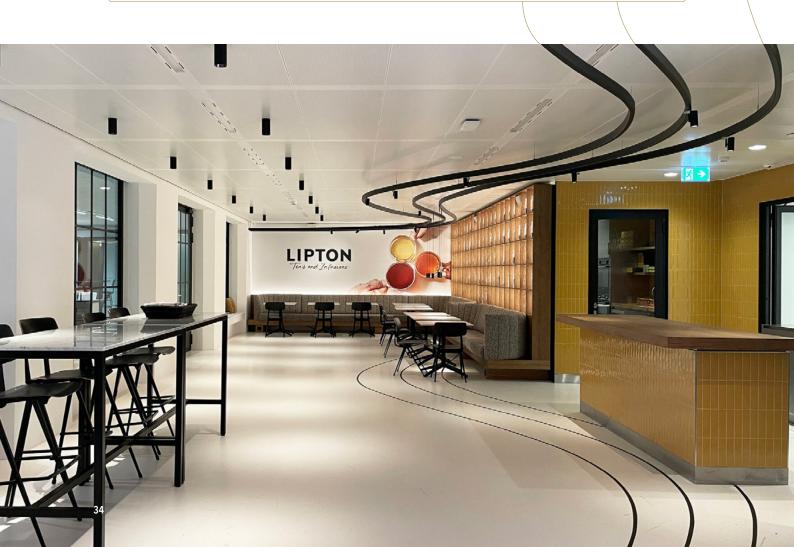
By embracing this approach to apprenticeships, we will continue to attract and nurture the best possible talent in a fair, inclusive way.

In 2024, we will launch the Double the Sunshine Academy, which will nourish a culture of continuous learning and professional development and unite our existing initiatives in this area. Through a diverse range of dynamic and tailored programs, we will continue to build core skills in every function and enable everybody to reach their full career potential.

#### **HOME SWEET HOME: OUR NEW GLOBAL HEADQUARTERS**

We boiled the kettle for the first time at our brand-new HQ in March 2024. Located in Amsterdam, a world-renowned innovation and entrepreneurship hub, the space embodies our commitment to elevate the entire teas and infusions industry. It's also just 30 minutes from our future flagship global research centre!

We call it "2Leaves Amsterdam", referencing the top two leaves of a tea plant that make for the best tea. With a name reflecting our passion for quality, freshness and sustainability, it's truly a great place to grow. We're already welcoming new talent to our Amsterdam home and exploring everything this global city has to offer.



# 2023 highlights



## Human rights in the value chain

To live up to our purpose, we have a responsibility to protect and reinforce the human rights of everyone who contributes to that perfect cup of tea.

This requires us to be especially vigilant across our large global supplier network, which includes thousands of workers in areas considered to be high risk, such as agriculture and manufacturing. Our human rights policies are clear, created in full alignment with the UN Guiding Principles on Business and Human Rights, and based on our experience of the tangible actions that drive progress. These policies are enforced with an effective governance structure.

#### **WORKING CLOSELY WITH SUPPLIERS**

We maintain long-term relationships with our suppliers, which helps us more effectively monitor and ensure compliance with international human rights standards.

Any company that wants to become a supplier must go through a rigorous qualification system. This includes signing and adhering to our Responsible Sourcing Policy (RSP), which defines requirements for doing business with us. Alongside our RSP, we are evolving our risk-based approach to specify actions for different types of suppliers:



SUPPLIER TYPE	ACTIONS WE TAKE
All suppliers	Screening for adverse media, politically exposed persons and presence on sanctions lists
Delivers agricultural ingredients and operating in countries considered high risk	Independent, third-party responsible sourcing on-site audit  Supplier must have an Agriculture Code or equivalent certification (e.g. from Rainforest Alliance or Fairtrade International)
Delivers goods (packing materials, non-agricultural ingredients, finished products) considered high risk, operating in countries considered high risk	Independent, third-party responsible sourcing on-site audit  For paper and board, supplier must also have an Agriculture Code or equivalent certification (e.g. from FSC or PEFC)

Once a company becomes part of our supplier network, they join a strong speak-up culture - one in which we encourage business partners and all workers to make confidential and anonymous reports whenever permitted by local law. Similarly, we uphold a strict policy of non-retaliation against anyone who raises a complaint.

## A LIVING INCOME FOR ALL

Around the world, many people in tea and herb farming earn below what is considered sufficient for a decent standard of living. However, overcoming deeply rooted income disparities can be hampered by local regulations, government policies, and the complexity of tea and herbal production. In terms of work, jobs are often casual, work is rarely predetermined for specific brands, and producers are already struggling with comparatively high labour and other costs for a product that has long been overproduced and undervalued.

Nevertheless, we're determined to drive improvements wherever we can to support the growth of stable, economically thriving communities. A decent wage or income does more than sustain livelihoods; when the work is valued, so too is the worker.

Our definition of a living wage is based on that of the Global Living Wage Coalition - "the renumeration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and his or her family."

In the context of smallholder farmers, a living income means the amount needed for a household in a particular place to afford a decent standard of living for all its members. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing and other essential needs, such as provision for unexpected events.

Starting with our own workforce, where we track our living wage compliance on an annual basis, we're following the well-defined IDH Roadmap on Living Wages to measure any gaps in our supply chain and find ways of closing them. As we engage with supply chain partners, we do this in a cooperative, pragmatic manner that respects distinct local contexts.

## **ETHICAL WORKING CONDITIONS**

Ingredients for teas tend to be grown in remote regions, which raises the risk of exploitation compared to other industries. An extensive Human Rights Assessment on Kenyan estates, conducted in December 2023 by commissioned experts twentyfifty, confirmed potential risks include hazardous work, harassment and violence, and a lack of effective grievance mechanisms, as well as others that reflected issues in the wider community.

We recognise the persistent nature of some of these challenges and that meaningful change to ensure safe and dignified working conditions depends on sustained, long-term collaborative efforts.

Building on the recommendations of various expert assessments, we've developed and tested a series of practical actions that complement the requirements of our RSP. These tangible steps help break the unequal power dynamics faced by workers, which can otherwise create conditions for harassment and violence. Moreover, they form the basis of a new and emerging approach to sourcing. This will require all suppliers of tea ingredients to ensure:

- At least 50% women in managerial positions
- Reducing management layers to make on-theground operations more visible and increase leadership accountability
- Separation of powers for recruitment, promotions, performance evaluation and dismissals
- Creation of an independent oversight committee
- Term contract or seasonal workers hired by ballot to ensure fair and transparent selection

- Clear job descriptions in local languages and better education on company policies required by our Code of Business Principles
- Provision and promotion of 24/7 telephone and SMS anonymous reporting channels, available in local languages and managed independently
- Clear training plan and training records on workplace rights and prevention of harassment and violence
- Completion of a Human Rights Assessment at least every three years

To help shape a future in which all tea and herbal farms are free of human rights abuses, we're sharing our findings and recommendations with others. We also advocate for legislative and regulatory protections for agricultural workers in jurisdictions where these are currently weak.

## **CULTIVATING EMPOWERMENT FOR FEMALE TEA GROWERS IN INDONESIA**

Although women represent a significant majority of workers in Indonesia's tea gardens, they tend to occupy the lowest paid tea-plucking jobs, have limited education levels and lack financial empowerment. To combat the challenges caused by these disparities, TAZO partnered with the Starbucks Foundation and Twinings on an Ethical Tea Partnership project to apply the Community Development Forum model in a pilot across three Indonesian tea estates, affecting 350 people.

three

Run with the help of local charity Yayasan CARE Peduli (YCP), this model helps encourage open dialogue between tea estate management, workers, and the wider community, giving women and other marginalised workers a space to raise their concerns and claim fair opportunities. The partnership is also funding leadership skills training, supporting Village Savings and Loans Associations (VSLAs), and improving local access to nutrition, water, sanitation and hygiene services.

Successful approaches arising from this pilot will be promoted as best practices to be implemented across other Indonesian estates.

## SUPPORTING SOCIAL AND ENVIRONMENTAL JUSTICE IN NIGERIAN GINGER FARMING

TAZO is a partner of Mercy Corps' Empowering Resilient Ginger Farmers (ERGF) initiative, which aims to enhance regenerative agricultural capabilities in the key ginger-growing region of Nigeria's Kaduna State. The initiative has a particular focus on marginalised farmers - those who are female, young, or have disabilities. The project has supported the establishment of 106 demonstration plots and the training of more than 9 500 farmers.

2023
highlights

30000

workers in our supplier network included in a living wage gap assessment



In 2023, 97.3% of our tea was Rainforest Alliance certified. 100% of our tea was traceable to the selling mark.

## LIVING WAGE AND INCOME

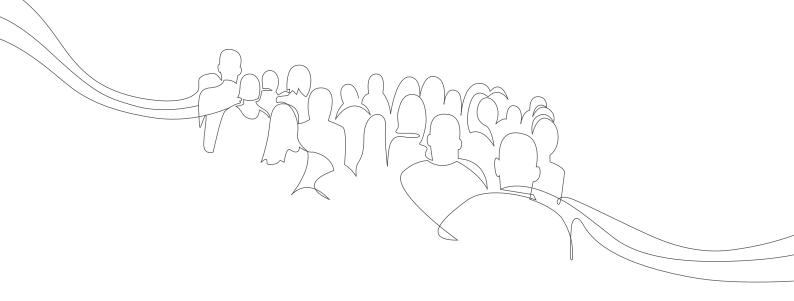
In 2023, we switched from the Fair Wage Benchmark to the Anker Methodology to align with the IDH Roadmap. We are at the measurement stage of the IDH Roadmap on Living Wages, which involves encouraging our suppliers to report their own living wage gap in IDH's Salary Matrix tool. During 2023, we gathered data from our suppliers covering 32 selling marks and more than 30 000 employees. We're also working with IDH and some peers to test a pro-ratabased collection and distribution mechanism that will allow us to calculate the difference based on volumes sourced for our brands.

## **SAFE AND DIGNIFIED WORK**

Following reports of historical abuse on our own Kenyan estates, we initiated a thorough independent investigation in February 2023. This reaffirmed the robustness of the prevention and detection measures in place but also identified areas for improvement. These recommendations were the basis of a comprehensive action plan that was carried out in 2023 and informs our ongoing approach to human rights in our wider value chain.

We commissioned a further third party to independently check that our actions had been implemented on our own estates in February 2024. This auditor conducted a sample-based assessment across three estates and three factories and found that 16 of the 18 criteria were successfully in place. Two improvement points, relating to building further capacity around the new organisational model and worker understanding of the grievance mechanisms, have informed further work in our continuous improvement journey.

# Training and skills development



Uplifting people throughout the tea and herbal infusions value chain, especially those working in agriculture, is essential for building a sustainable teas and infusions industry.

Education supports improvements in quality and productivity, as well as personal economic progress. Skilled workers are better able to adopt sustainable practices such as regenerative agriculture, integrated pest management and organic farming. They are also more resilient and adaptable to changes in market trends or environmental pressures. Knowledge transfer often extends beyond individuals, benefiting entire communities and fostering collective development.

## UPSKILLING SMALLHOLDER FARMERS IN TÜRKIYE

In Türkiye, 95% of tea farmers cultivate fields smaller than one hectare. Lipton has been working with thousands of these smallholder farmers, supporting their agricultural knowledge with educational materials and training sessions run by factory workers, tea collection experts and other farmers. In 2023, Lipton worked with more than 20 000 small-scale farmers and, with the support of agricultural experts, conducted annual Rainforest Alliance audits of all registered small-holder farmers.



## OPENING THE WORLD'S FIRST COMPREHENSIVE EDUCATION INSTITUTE FOR TEA

In February 2024, we proudly celebrated the opening of the Lipton Tea Innovation & Technology Academy, a new global centre of expertise in tea quality and responsible practices.

This industry-first institution is a joint endeavour between LIPTON Teas and Infusions, Kenya's Ministry of Education and the University of Kabianga. Its mission is clear: to make Kenya the world centre of advanced skills and knowledge in tea cultivation.

Each year, as many as 3 000 Kenyans will take vocational training courses at the Academy. The knowledge and insights they acquire will support ongoing efforts to strengthen the premium perception of Kenyan tea and raise living standards across the region.

The Academy will also offer bachelor's, master's, and PhD level study, with courses including business skill development, farm income diversification, and advanced scientific research and technological innovation.

Speaking at the inauguration ceremony, Kenyan President Dr William Ruto underscored how the pioneering Academy will "drive the transformation of the tea industry to deliver maximum benefits for households, the value chain and the national economy."

The Academy is now open for enrolment, with the first courses due to begin in late 2024.



We owned and operated a network of 20 teagrowing sites across East Africa during 2023. In 2024, we reached an agreement to transfer these estates to the ownership of Browns Investments, which will maintain and build upon the policies we have implemented and investments we have made for workers and the surrounding communities.

While these estates contributed only 15% of all the tea we source, they provided opportunities to pilot actions that create positive social and environmental impact which are now being applied more broadly across our supply chain.

## WAGES, BENEFITS AND INCOME

Across our estates, we used the IDH-aligned Anker Methodology to assess, develop and optimise our wage policies.

For office-based employees, we applied global performance evaluation processes to deliver annual salary increases and bonuses.

## **ACCOMMODATION AND INFRASTRUCTURE**

Employees working on these estates have access to housing, high-quality education, family support and healthcare. This includes salaried employees plus family members and other dependents who call these tea estates home.

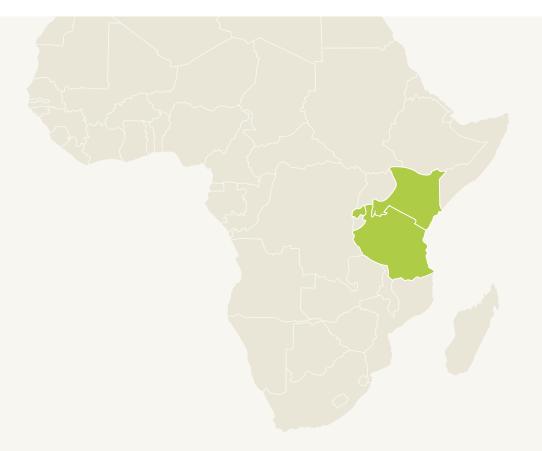
## Housing and electrification

Estates workers and their dependents are offered accommodation in one of 10 000 houses in Kenya or more than 2 000 houses in Tanzania. These homes have extra land for growing crops and raising chickens, allowing residents to generate additional income. Through an ongoing upgrade programme, these houses are receiving electrical power and being converted to have two or more rooms.

Meanwhile, a village electrification programme in and around the estates provides for all schools, hospitals and other public utilities within the estates' premises. Outdoor lighting is available in most villages to make residents feel more secure.

## **Education and family support**

Sizeable investments have supported the building and running of 50 Early Childhood Development (ECD) centres, 20 primary schools, and four secondary schools in Kenya, plus a further 39 ECD centres and two primary schools in Tanzania. By providing high-quality schooling for different age groups, we help to improve educational outcomes for the children of employees and the wider community.



<b>KENYA</b> Estates: Processing sites:	11
<b>TANZANIA</b> Estates: Processing sites:	7 4
<b>RWANDA</b> Estates: Processing sites:	2

In parallel, we offer an extensive package of childcare support designed to support the professional growth and personal well-being of women. A vital part of these efforts is a network of daycare centres that provide affordable, safe, hygienic and baby-friendly support for children aged three and below.

## Healthcare

We majority funded the operating of the Central Hospital in Kericho, and fully funded five medical centres and 18 pharmaceutical dispensaries in Kenya and a further hospital, two medical centres, and 12 dispensaries in Tanzania.

The hospital gives employees and their dependents much quicker access to high-quality care. Our investments have also helped improve community health outcomes in areas including HIV testing and treatment, maternal and infant mortality and tuberculosis treatment success.

In Kenya, our medical insurance provision gives National Health Insurance Fund coverage to every employee, including up to four dependents.

## **COMMUNITY AND PERSONAL SAFETY**

Across the estates, safety is a core, non-negotiable business value. To put this value into practice and reduce safety risks, we apply a strong, continuously improving Safety, Health and Environment (SHE) management system. Our key metric for employee health and safety is the Total Recordable Frequency Rate (TRFR), which measures the number of recordable accidents per million hours worked.

In addition to complying with local regulations and certification requirements, we implement targeted initiatives to promote road safety, electrical safety, machinery safety and lightning safety. To mitigate lightning risks, for instance, we've continued enhancing our Lightning Safety Management Guidance, which supplements our longstanding Lightning Detection Systems.

Equally important is our commitment to prevent, detect and respond to sexual and gender-based violence (SGBV). To support our efforts in this area, we've developed a robust Prevent-Detect-Respond model:

PREVENT	DETECT	RESPOND
A well-established, zero-tolerance policy framework on sexual harassment	Multiple reporting channels, including a toll-free hotline, grievance committees and senior leadership contacts	Fair and just internal governance framework for the disciplinary process
Internal and external SGBV awareness campaigns	Monthly monitoring through a specially established committee	Extensive sanctions framework
Addressing contributing factors to SBGV, including mental health conditions, financial mismanagement, stress and alcohol abuse	Regular trends and patterns analysis, plus annual SGBV surveys	Psychosocial counselling and support
Providing ongoing mental health support	Security interventions on estates, including CCTV, alarms, patrols, and a reporting and control room	Safe shelter and medical care provision
Supporting women's empowerment initiatives	Additional police posts, local administration chiefs within the business	Partnerships with NGOs, police and judiciary
Establishing youth clubs for students in schools on tea estates		



## **WAGES, BENEFITS AND INCOME**

In 2023, we achieved living wage status for the Kenyan operations and made strong progress towards achieving it for the Tanzanian operations.

## **ACCOMMODATION AND INFRASTRUCTURE**

Number of houses in Kenyan estates with two or more rooms:

2021	2023
20	1 200

Percentage of electrified houses in Kenyan estates

2021	2023
23%	32%

## **COMMUNITY AND PERSONAL SAFETY**

Work-related incidents across tea estates

- 0 work-related fatalities
- 16 work-related injuries
- 256 days lost due to work related injuries
- 0.45 Total Recordable Frequency Rate

## **Worker protection**

Immediately following allegations made in February 2023 of historical abuse of women on the Kenyan estates, we initiated a thorough independent investigation and offered comprehensive support to anyone affected. This included ongoing access to psychosocial support, medical care and legal representation. We permanently barred individuals found to have violated company policies and have been supporting local authorities to make sure any perpetrators of serious mistreatment are held fully accountable.

Among other actions, our compliance with the recommendations of the investigation involved the greater promotion of existing anonymous reporting channels. The number of reports subsequently increased by 100% in 2023 due to improved trust in the service's independence and engagement with workers. A sizable proportion of reports related to historical incidents, while half were for events occurring outside the working environment. Regardless, all reports will be followed up, with our case closure rate standing at 57% within 60 days. More details on our actions and how they are being applied to improve human rights more widely in the value chain are in the **Social impact** chapter.

## **COMMUNITY INVESTMENTS**

In 2023, we invested 34.5 million Kenyan shillings (KES) into community initiatives surrounding the estates in Kericho, Bomet and Limuru.

# Environmental impact



## Climate change mitigation and adaptation

Tea is relatively a low-carbon beverage, second only to tap water. Nevertheless, the tea and herbal infusions value chain relies on a delicate ecological balance, with hundreds of environmental factors influencing quality and yields. Climate change is already disrupting this balance, affecting harvests and livelihoods in the world's largest-producing countries.

Without decisive action to reduce the greenhouse gas (GHG) emissions driving climate change, the ecosystem that sustains us all will be seriously affected. As industry leaders, we have a responsibility to be part of the solution by reaching

net zero emissions as soon as possible while simultaneously improving the climate resilience of tea production. This will help mitigate the adverse effects of climate change on our industry and ensure that tea becomes a crop that makes a positive contribution to the carbon cycle.

## **OUR CLIMATE ACTION JOURNEY**

We aim to be the first company in our industry to reach net zero emissions, with 2040 as our target year. Guided by the latest science and the Science-Based Targets initiative (SBTi), we must achieve an aggregated 84% absolute reduction in absolute GHG emissions (scope 1, 2 and 3) compared to

## HAILSTORMS AND THEIR CONSEQUENCES FOR TEA

The Kenyan tea-growing region of Kericho receives more hail than almost anywhere else on the planet. While this natural phenomenon has always presented a challenge for local tea growers, climate change is making the issue worse. In fact, between 2017 and 2022, hail damage to tea crops in the region almost doubled. In 2022, especially high amounts of hail caused yield reductions of up to 13% and reduced quality. As severe hailstorms become more frequent, tea plants have very little chance to recover, compounding the problem.

To help address this challenge, 100 students from Cranfield University have formed cross-discipline groups to work on solutions. These teams explored a broad range of solutions including covering tea plants with other more hail-resistant crops or solar panels, more accurate weather forecasting, and predictive modelling.

our 2021 baseline. Getting there won't be easy, but with dedication and intentionality, we're committed to driving climate action across our entire value chain.

Our set of near- and long-term reduction targets will be submitted for SBTi validation in 2024 - and while we await the response, we're developing and executing a detailed roadmap to accelerate our net zero journey.

## Establishing a baseline

A detailed baselining project, conducted during 2023 with the support of our partner Anthesis, found that our market-based emissions in 2021 were 1.54 million tonnes of CO2 equivalent (CO2e), with the cultivation of tea and herbal ingredients representing our largest source of emissions.

## INSPIRING A NATURE-POSITIVE SUPPLY CHAIN WITH MARTINBAUER

Leading herbal supplier and our long-term partner MartinBauer has worked on a comprehensive measurement of the carbon footprint of herbal ingredients, which has enabled us to prioritise improvement projects with farmers and wild harvesters around the world. We're also working together to tackle deforestation and land use change. With a strong focus on Organic and Fair for Life certifications, this collaboration has inspired MartinBauer to commit to its own SBTi net zero target by 2040.

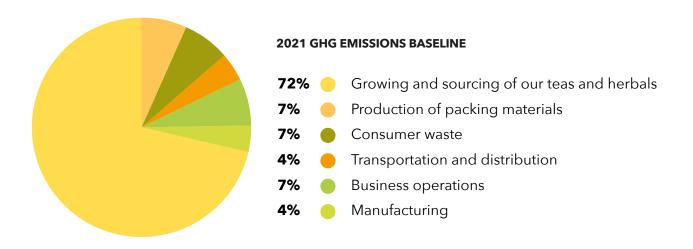
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## **GETTING INTO HOT WATER**

While the advent of newer drinking experiences such as concentrates and cold infusions removes the need to heat up water, the vast majority of teas served today are enjoyed hot. Some people use a kettle to heat their water, others gas stoves or microwaves. This heating accounts for between 20% to 80% of the total emissions of a cup of tea, with the variation depending on the availability of renewable energy.

Including the GHG emissions from boiling water by consumers is optional in the GHG Protocol reporting framework. We have chosen to exclude it from our science-based targets because the data relies on too many assumptions and estimations.

Nevertheless, we are helping consumers to reduce the impact of their cup of tea through on-pack recommendations to boil only the water they need, use energy-efficient appliances or put the lid on if they're using a saucepan. Every action helps.



## **Reduction roadmap**

Our journey to net zero includes short- and mediumterm decarbonisation measures in our own operations and in our value chain.

By completely embedding our approach into business-as-usual activities, monitoring them in real time, and continuously improving, we will achieve long-term emission reductions and inspire positive change throughout the teas and infusions industry.

ve -61% ve ry. Tea and her

## Tea and herbals sourcing

- Implementing a supplier engagement programme
- Gathering accurate data on supplier emissions
- Supporting farmers with emissions reduction measures, such as more efficient fertiliser usage and introducing more climate-resilient crop varieties

-6%

## Consumer waste

 Supporting the responsible disposal of teabags and tea leaves

-3%

## Transportation and distribution

- Adopting more sustainable transport options (modal shift)
- Incorporating fleet efficiency in transport tendering criteria
- Enhancing collaboration and consolidation with supply chain partners

-6%

## Packaging sourcing

- Switching to fully compostable teabags
- Using fit-for-purpose packaging
- Developing lower-carbon consumer packaging

-6%

## **Business operations**

- Ensuring offices run on renewable electricity
- Encouraging lower-carbon employee commuting

-2%

## Manufacturing

- Extending the use of renewable electricity across our manufacturing sites
- Strengthening energy-efficiency measures and energy-consumption monitoring



## **Defining our targets**

With a GHG emissions baseline and a clear roadmap towards net zero in place, we have set near- and long-term reduction targets that will be submitted to the SBTi for validation in 2024:

Energy and Industry (E&I) (Scope 1, 2 and 3) targets

• Near-term target: 42% reduction by 2030

• Long-term target: 90% reduction by 2040

Forestry, Land and Agriculture (FLAG) targets

Near-term target: 30% reduction by 2030
Long-term target: 72% reduction by 2040

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No Deforestation Commitment targets
• Near-term target: Zero deforestation by 2025

When modelling our reduction targets, we consider our business forecasts up to 2040, a journey that will see us decouple growth from emissions. Achieving these targets will greatly support our journey to net zero but we will need to identify and explore further decarbonisation opportunities as we make progress.

## Going beyond the tea and herbals value chain

Let's face facts: there's understandable scepticism around the credibility of carbon credits. As firm believers in direct action, we prefer not to achieve carbon neutrality via offsetting. Instead, we're collaborating with the right partners for decarbonisation projects that go beyond our value chain and generate lasting impact.

## **FURTHER STEPS TO BUILDING CLIMATE RESILIENCE**

Our double materiality assessment highlighted climate change adaptation and resilience as a material topic. This was reinforced during stakeholder workshops held to determine the key climate risks and opportunities impacting LIPTON Teas and Infusions. This process, conducted for the first time in 2023, will support our assessment, management and reporting of how we can build resilience in our business going forward.

## **Key physical risks**

- Heat stress/extreme heat: Potential to impact tea production and sales, pest infestations and cause operational disruption to office-based activities.
- Drought and water stress: Potential to impact tea production and reduce yields.
- Unexpected weather events: Potential to impact tea production (specifically hail in East Africa) and to impact operations at our own factories.

## **Key transition risks**

- Market risk: Increased costs of raw materials and higher costs for manufacturing sites.
- Policy and legal risk: Greater regulatory obligations, climate taxes, and challenges concerning supply chain data collection and climate-related disclosures.

## **Key opportunity**

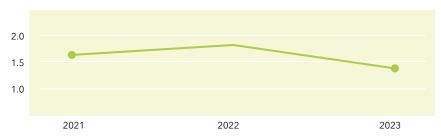
• Resource efficiency: Implementing sustainability initiatives can drive efficiencies across transport, distribution, recycling and more.

More details on our climate resilience work are in the sustainable agriculture part of the **Environmental impact** chapter.

# 2023 highlights

The fall in emissions between 2022 and 2023 is mostly due to a change in the volume of tea we purchased.

## Emissions (in million tonnes of CO<sub>2</sub>e)



Our climate targets submitted to the Science-Based Targets initiative



## Sustainable agriculture

The long-term success of our business, and the wider tea industry, depends upon nature.

However, the productivity and resilience of tea and herbal growing regions around the world face several threats, including increased pest and disease levels, soil degradation, more extreme weather events and the loss of biodiversity.

To mitigate the impact of these issues, we are leading an industry-wide transformation towards regenerative agriculture - farming practices that result in more resilient ecosystems and sustainable harvests. We're able to play this leading role because of our unrivalled expertise and influence in the science of tea cultivation.

We have inherited more than three decades of experience in tea agronomy, breeding and research. Our dedicated team of scientists run trials, collect data, and help to strengthen field operations. By pioneering new practices in plant nutrition and agrochemical reduction, we're building a model for a nature-positive supply chain. And by sharing this knowledge as widely as possible, we help elevate the entire industry, **Creating Value for All**.

In herbal growing, TAZO has been spearheading a campaign on regenerative agriculture, while Pukka works closely with suppliers to implement best-practice organic techniques across its supply chain.

## **BUILDING A REGENERATIVE MODEL FOR THE TEA INDUSTRY**

Through the Oxford University Strategic Innovation Fund, we are exploring regenerative models for the tea industry.

Starting in 2024, scientists from Oxford University's Smith School of Enterprise and Environment and Cranfield University will conduct a detailed study of a model Kenyan tea estate. Over the course of a year, they will measure the impact of our precision and digital agriculture tools in improving tea yields and reducing GHG emissions. The team will also seek to understand and mitigate any local community or environmental impacts arising from our interventions.

Based on this research, the team will create a regenerative tea system map and a business case for implementing regenerative practices. Additionally, the project will support the development of an open-source library of regenerative case studies that will be available throughout the industry.

Once complete, this project will enhance our understanding of how to operationalise and scale regenerative practices and advance our wider ambition of **Creating Value for All**.

## **AGRONOMIC EXCELLENCE**

Optimal agricultural techniques are a core enabler for sustainable tea cultivation. Its benefits include more responsible land use, reduced need for chemical inputs, higher levels of carbon sequestration, and increased biodiversity as a result of ecosystem restoration.

Recognising this potential, we run a structured series of agronomic excellence initiatives. These include biweekly training for participating tea estate field operations teams, with sessions covering crop protection, plant nutrition and harvesting and pruning techniques.

We are working closely with industry and academic partners to advance a holistic fertiliser impact reduction strategy. This includes:

- Agronomy excellence and data-driven tea breeding that reduces the need for fertiliser.
- Technology-enabled predictive modelling and precision application to minimise fertiliser waste.
- Alternative forms of fertiliser, such as green and organic or organo-mineral fertiliser optimised for tea plants.

By regularly sharing best practices, we help develop sustainable agriculture knowledge while increasing the quality of the harvested tea leaf.

## **MANAGING PESTS NATURALLY**

While tea mosquitos, tea weevils, fungal infections and various types of weeds all cause problems for farmers, combating them with chemical insecticides and herbicides reduces biodiversity, degrades soil health and can leave unwanted residues.

Together with producers, we're working to encourage an end to chemical pesticide use.

Leading by example, we have stopped using all chemical pesticides, including glyphosate, on our own estates in Kenya and Rwanda.

Combating pests with living organisms - a technique known as biological control - is a powerful natural alternative which forms part of our strategy of Integrated Pest Management for tea.

PEST	IMPACT ON TEA CULTIVATION	CONVENTIONAL STRATEGY	OUR BIOLOGICAL CONTROL STRATEGY
Tea weevils	Feed on leaves, buds and stems of tea plants, reducing leaf quality and diminishing yields	Chemical pesticides	Controlled by placing hollow banana or bamboo stems near the base of tea plants - a weevil's favourite hiding place. Think of it as the large-scale equivalent of a bug house!
Tea diseases (root rot, stem canker and wood rot)	Fungal pathogens infect plant material, causing crop losses of up to 50% in the East African smallholder sector	Chemical fungicides	Uprooting and destroying infected plant material, then drenching the diseased area with Trichoderma (friendly soil fungi that outcompete disease-causing fungi to protect tea roots from invasion).

As part of a UK Research and Innovation (UKRI) grant, we have partnered with KALRO-Tea Research Institute in Kenya to work on methods of pest control in tea nurseries, including pest-predators, and pest-repelling and -attracting plant species. The findings from this project will support smallholder farmers and accelerate towards a chemical pesticide free future.

## **REDUCING FERTILISER USE**

The widespread use of synthetic nitrogen fertilisers is environmentally problematic, with their manufacturing, transport and use accounting for over 75% of total tea production emissions in 2021 on our own estates. Over-applying them also degrades the health of the soil and causes runoff into water courses that can be harmful to aquatic ecosystems. Given this range of negative impacts, developing more nature-positive techniques is absolutely essential.

## **BREWING THE INTERNET OF TEA**

We have applied an Internet of Things (IoT) approach - connecting everyday devices to share information with a wider network - to the precise needs of tea cultivation. The result is our very own smart agriculture platform: IoTea<sup>TM</sup>.

Launched in Kenya and Rwanda in 2023, IoTea™ collects and processes near-real-time data from weather stations and sensors and combines it with agronomic information on harvesting, pruning and fertiliser inputs. This integrated data is then used to facilitate precise management of tea harvesting, soil conditions, climate factors and plant health.

Field operations managers receive recommended actions for specific fields, including which areas are ready to harvest, on an easy-to-navigate dashboard that also provides an overview of an entire estate.

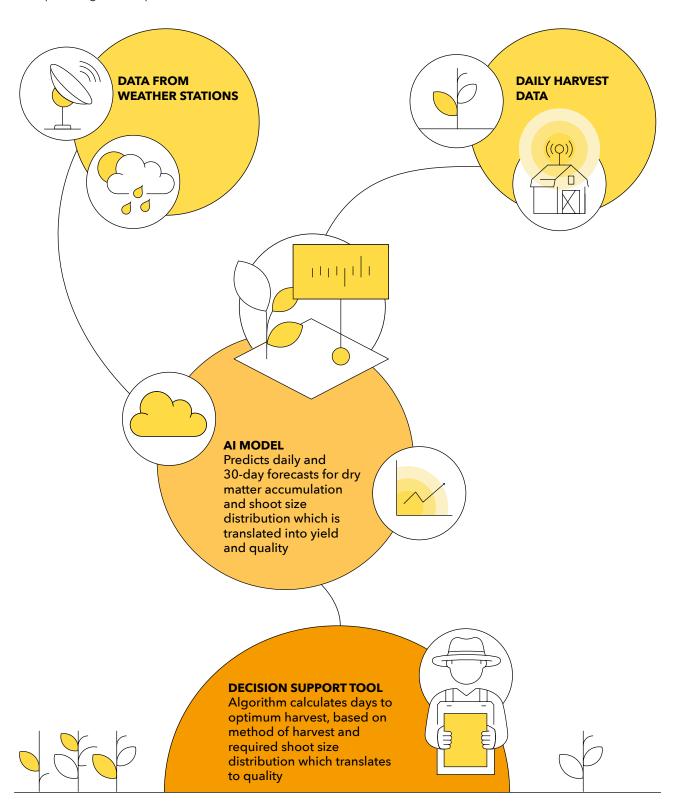
From 2024, we will introduce new features to support the more precise application of fertiliser and use the platform to drive additional reductions in GHG emissions.

This digital twin of a tea garden is also an important research tool to help us test and understand the impact of successful sustainable agricultural practices that can be used for industry-wide benefit.

 $IoTea^{TM}$  is a central element of our ambition to raise quality and reduce agrochemical inputs. It will be made available to the entire industry.



Our connected tea solution provides estate managers with access to Cloud & Al technologies, enabling data-driven decisions to help improve agricultural yield, lower overall costs and reduce the environmental impact of agricultural production.



## **BREEDING AND SMART CROP DESIGN**

By applying cutting-edge breeding techniques, we are producing tea varieties with climate-resilient traits including drought tolerance, disease resistance and nitrogen-use efficiency. At the same time, we can optimise for consumer health benefits, such as increased levels of flavonoids or low caffeine.

To date, we have released more than 20 new and improved varieties for commercial use, with many more in the pipeline. We make these varieties available to local farmers so they can use them and improve the wider industry.

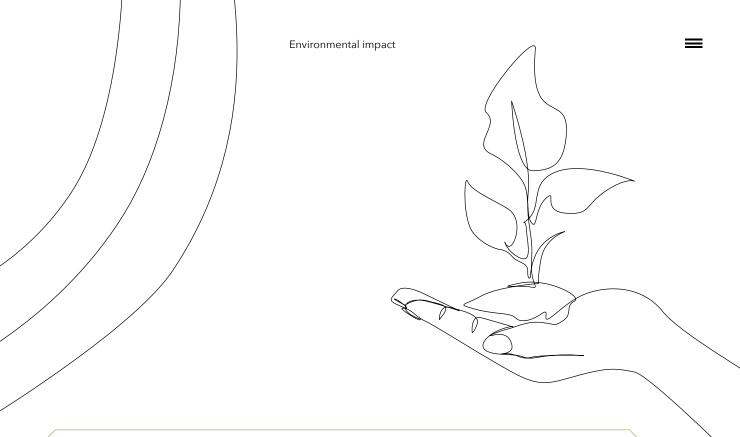
To keep pace with climate change, we need to speed up the development of new varieties. We are using genomic selection to achieve this, pioneering the use of this technique in the tea industry.

## **Protecting biodiversity**

Natural variety provides resilience against pests and diseases while supporting the wider ecosystem.

We consider both above- and below-ground biodiversity when taking actions such as reducing agrochemicals, integrating plant species to create a more dynamic and robust agricultural landscape, and protecting natural habitats.

At our Kenyan estates, 10% of the land is dedicated to conservation. In Tanzania, where much of the land is in the Mufindi District biodiversity hotspot, this figure is over 50%.



## **FUNDING SECURED FOR KEY RESEARCH PROJECT**

In November 2023, the Biotechnology and Biological Sciences Research Council (BBSRC), part of UKRI, awarded us and our partners a prestigious Prosperity Partnership Grant.

The five-year grant, worth €4 million, will fund our joint project with Cranfield University and the UK Teas and Infusions Association (UKTIA) on digital and genetic technologies to develop a more resilient and regenerative tea production system.

WORKSTREAM	FOCUS AREA	INTENDED BENEFIT
1	Developing remote sensing capabilities using aerial drones	Swifter identification of deficiencies, stronger capabilities in precision agriculture, rapid phenotyping of desirable traits
2	Using collected data to enhance IoTea™ platform capabilities	More precise application of crop inputs, better IPM, and improved recommendations for GHG reduction
3	Breeding tea varieties with climate-change-resilient properties	Drought tolerance, resistance to common pests and diseases, lower GHG emissions and greater carbon sequestration in root systems

The output of our research will inform new best practices in tea agriculture, contribute to a teaspecific typology to standardise emissions reporting for tea, and accelerate the digitisation of tea production worldwide.

# 2023 highlights

## **PEST MANAGEMENT**

Our estates in Kenya and Rwanda were 100% pesticide-free in 2023.

## **FERTILISER USE**

In December 2023, we published a paper on nitrogen balance in tea plants, enhancing the body of scientific research on this vital topic. In our model, results showed that, under high soil organic matter and low pH, there is minimal leaching of fertiliser and minimal emissions of nitrous oxide. These conditions prevail on our Kenyan tea estates, which means that further research offers a route for reducing GHG emissions from tea production elsewhere.

Thanks to our efforts in fertiliser reduction, we have reduced our GHG emissions from fertilisers by 18.8% compared to the 2021 baseline.

## **BREEDING AND SMART CROP DESIGN**

Having studied the impact of *Helopeltis*, a mosquito that affects tea quality, we found a common ancestor that may explain this susceptibility. Going forward, we will investigate this relationship further, with the ultimate ambition of screening for susceptibility during breeding programmes.

## **BIODIVERSITY**

LIPTON Teas and Infusions is working with IDH in Kenya to restore and conserve 60 000 hectares of the Southwest Mau Forest by 2030. The landscape program aims to find innovative and sustainable solutions to deforestation and forest degradation by addressing livelihoods, water and sustainable energy. Additionally, more than 10% of the land is dedicated to conservation in Kenya, while nearly 50% is allocated to forests in Tanzania.

Biodiversity and ecosystem management have been identified as one of the material topics within LIPTON Teas and Infusions' recently conducted double materiality assessment. We will develop a baseline and a strategy to address biodiversity-related impacts, risks and opportunities and report on its progress through the upcoming sustainability reports.

## **DIGITAL AGRICULTURE**

Over 8 000 hectares of tea estates in Kenya and Rwanda are now using IoTea<sup>TM</sup>, paving the way for greater traceability, lower levels of agrochemicals, plus reductions in GHG emissions and wastage.

## **PRECISION AGRICULTURE**

On Kenyan tea estates, we trialled the use of drones to apply fertiliser. Studies and industry reports indicate a potential 30-50% reduction in fertiliser when this precision technique is scaled over the coming years.

## ADVANCING SCIENTIFIC RESEARCH FOR THE BENEFIT OF THE TEA INDUSTRY

In 2023, together with our research partners, we received over £2 million in grant funding for joint research programmes: £100 000 for Oxford University to explore regenerative economy models for the tea industry, £50 000 for Cranfield University to extend a fertiliser innovation project, and £1.9 million for the BBSRC Prosperity Partnership to develop a resilient and regenerative tea production system.

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## Packaging and end of life

Keeping our teas and herbal infusions in top condition as they make their journey from field to cup requires careful packaging.

We put the consumer experience at the heart of every packaging decision and we will never compromise on safety. By protecting the product and ensuring a great drink every time, we limit waste along the way too.

We use various types of packaging across our brands, but they can be separated into two main categories: consumer packaging, which is what people see as they unbox, prepare and enjoy our products, and transit packaging, which keeps our tea safe during transport and while on display.

Consumer packaging includes the humble teabag, which provides a consistent dose optimised for the ideal drink. Once filled and sealed to withstand brewing, teabags are covered in other forms of packaging, including teabag envelopes and cartons. Many teabags also have a tag and thread attached for easy removal from the cup. Cartons of loose tea or teabags are typically packed in an outer case made from corrugated board.

While legislation governing the sustainability of packaging continues to evolve, we seek to lead by example. PG Tips, for instance, was the first major brand to introduce compostable teabags.

Our company-wide packaging strategy is underpinned by a threefold ambition. All our packaging must:

- Deliver a memorable and safe consumer experience
- Fit the brand proposition and product
- Advance our sustainability ambitions

To steer our progress in packaging sustainability, we have four key principles:

Sustainability integrated into all packaging decisions

- Accelerating the shift to fully recyclable packaging
- Pioneering new circular (including recycled) materials and technologies
- Accountability through effective governance

## FROM PRINCIPLES TO POLICIES

We embed our principles throughout the lifecycles of our packaging materials. Across three stages, our design and development approach assesses:

- The packaging's source (the origin of the material, including whether it's petroleum-based, bio-based, recycled, etc.)
- Its suitability for the intended purpose
- Its circularity (what happens to the material after usage, in terms of reusability, recyclability, compostability, etc.).

## A multi-generation approach

To reduce the carbon footprint of our packaging, we are driving progress from the comparatively straightforward (reduce) to more complex long-term technologies (e.g. second-generation bio-plastic). Included within this journey are three generations of materials that represent successive stages of development toward sustainable material usage.

**Generation 1:** Using virgin recyclable materials from sustainably managed sources

**Generation 2:** Using recycled materials that do not rely further on nature

**Generation 3:** Using waste-free or regenerative technologies that do not depend on land-based processes

The majority of our packaging is in the first generation of this evolution. While we are continuously working on moving to subsequent generations, there are safety considerations to overcome first. Third-generation materials are not widely or commercially available yet, but we're actively exploring their feasibility.



## Stage 1

## Material selection (beginning of life)

Our starting point is identifying responsibly sourced materials that follow circular economy principles from beginning to end of life. For example, most of the paper and cardboard used by our Lipton brand is sourced from the world's largest certification systems, such as the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC).

To support responsible material selection across the company, we have established a series of brand-specific guardrails, which evaluate new designs, relaunches or simplifications across all formats.

The classification and use of materials are governed by our Packaging Innovation & Development Director. Any material deemed not acceptable can only be used in exception, and only following approval by the Chief Research & Innovation Officer.

Materials that don't meet our current criteria, including those already in use, are governed by clear policies specifying the timeline for their withdrawal.

## Stage 2

## Channel consideration and suitability assessment (in use)

The next step is to determine the best approach for each sales channel. We consider how end-to-end logistics and distribution routes will impact the sustainability of our packaging. A retail-ready pack, for example, may not be suitable for e-commerce where there is a higher risk of damage in transit.

## Stage 3

## Material disposal (end of life)

The sophistication of a country's recycling infrastructure also influences how we think about the circularity of our packaging. We maximise and fully leverage recycling options wherever they exist, and plan to conduct waste advocacy initiatives and support the creation of appropriate schemes elsewhere. If these efforts prove unsuccessful, we will explore and pursue available upcycling opportunities.



The development of new independent data systems in 2023 affected our ability to accurately report on packaging progress. The necessary collection systems are in place for 2024, enabling us to publish up-to-date information in next year's report. For the purposes of our first sustainability report, we're using our 2022 results as a benchmark.

## SUSTAINABLY MANAGED PAPER AND BOARD SOURCES

We sourced 94% of our paper and board through sustainable sources (FSC or PEFC certified) in 2022.

## RECYCLABLE, COMPOSTABLE OR REUSABLE PACKAGING

The proportion of our packaging defined as recyclable, compostable or reusable in 2022 was 88%. This varied across regions, from 98% in Europe to 76% in APAC.

We are now focusing on markets with low recyclability by pursuing new material developments in flexible packaging formats, a category that traditionally relies on non-recyclable multimaterial plastic.

## **PLANT-BASED TEABAGS**

Moving to fully plant-based teabags is an important step towards making all our teabags home and industrially compostable. Europe was our first region to achieve 99% plant-based teabags, and we are working to achieve the same level in other regions. The total proportion of our teabags that were fully plant based in 2022 was 73%.

In countries where the proportion of plant-based teabags is currently low, we are executing a range of actions, including investing in new material developments and upgrading older packaging machinery.

We are focusing on changing teabags that currently use a small aluminium wire (staple) to attach the tag string and those that use non-plant-based binding agents.

Some of our teabag ranges, such as Pukka's fully paper-based teabags, are already home compostable. We are working on achieving home compostability for teabags that are currently industrially compostable.

## **PUTTING OUR COMPOSTABLE TEABAGS TO THE TEST**

Working with Compostable Coalition UK and other leading consumer brands, we took part in a trial in 2023 to see how clear on-pack messaging and labelling affect the amount of compostable packaging people put in food waste bins.

Boxes of various consumer goods, including Pukka and PG Tips teabags, were sent to 120 households in the UK. Each product featured a newly designed label, indicating that the item could be discarded in a food waste bin.

Correct disposal increased by 23% overall, and contamination levels between bins dropped on average from 9% to just 3%.

In parallel, Compostable Coalition UK undertook a composting trial. This measured the biodegradability, under normal industrial composting conditions, of 13 tonnes of compostable packaging, including large quantities of teabags.

Results showed that our teabags biodegraded successfully, with the finished compost passing BSI PAS 100 certification - the high-quality standard for compost in the UK.

With these strong results, we have validated our industrial compostability claims and passed another milestone on our journey towards home compostability for all LIPTON Teas and Infusions teabags.

## TO BAG OR NOT TO BAG?

At first glance, you might think that loose tea would have a lower environmental footprint than bagged tea. After all, it requires less packaging. However, the full story isn't quite so simple.

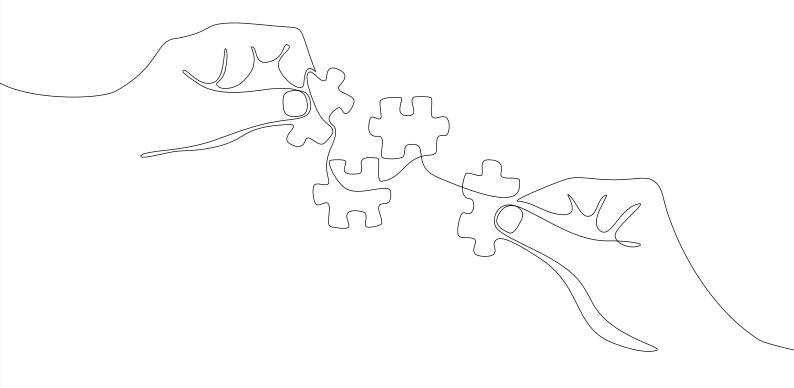
How do we know this? Because in 2023 we conducted a screening Life Cycle Assessment (LCA) to gain a high-level understanding of the major environmental impacts throughout the different phases of our products' life cycles. For the study, we examined our highest-selling teabag and loose tea products in three countries (six products overall) with distinct tea-drinking habits: France, Türkiye and Pakistan.

We found that teabags in every market have a lower environmental impact per serving than loose tea. In all cases, the more precise serving and reduced spillage and waste means teabags provide a more efficient use of natural resources, contributing to a reduced environmental impact.

However, we also found that the preparation method is the most significant factor in determining environmental impact. Consumers in Pakistan, for example, typically use gas-fuelled stoves to make bulk servings of tea, boiling the water with loose tea and milk with added herbs and spices. This method results in a higher amount of tea used per serving. Results from Türkiye, where loose tea is added to hot water in a cup or glass, show a similar pattern.

Our LCA indicates that packaging is only a small factor in tea's ultimate planetary impact. How we choose to drink tea matters much more.





As a company committed to growing responsibly and sustainably, we abide by principles rooted in our company's values and purpose of **Creating Value for All.** 

These represent our commitment to act not just legally, but ethically and with integrity. At every level of our organisation, we strive to embody these values in practical action and by supporting colleagues in making the right choices.

To realise this goal across different economic, regulatory and social landscapes, we use a robust, globally coherent governance framework consisting of clear, consistent rules and a transparent system of oversight and accountability.

Our Code of Business Principles (CoBP), launched in June 2022, defines non-negotiable rules and establishes a clear set of expectations for our people. Codifying our values as they relate to daily behaviour, it covers topics including standards of conduct, countering corruption, respecting people, safeguarding information and engaging with third parties. Managers are responsible for ensuring that people in their teams study the CoBP carefully and understand how they can raise concerns via established reporting channels.

Our Chief Legal Officer is primarily responsible for implementing the CoBP, supported by the Executive Leadership Team and Business Integrity Committees. Our emphasis on East Africa reflects the scale of our sourcing from this region.

POSITION	KEY ROLES AND RESPONSIBILITIES
Management Board	<ul> <li>Provides ultimate oversight of our business integrity policy framework</li> <li>Safeguards interests of all stakeholder groups</li> </ul>
Chief Legal Officer (CLO)	<ul> <li>Acts as the Chief Compliance Officer</li> <li>Chairs the Global Code Policy Committee</li> <li>Appoints committee members, oversees its day-to-day activities, and holds a casting vote on decisions</li> </ul>
Global Code Policy Committee (GCPC)	<ul> <li>Assists leadership in ensuring CoBP compliance</li> <li>Recommends and approves CoBP amendments</li> <li>Reviews and approves the business integrity operating model and reviews overall performance</li> <li>Oversees our global business integrity training program</li> <li>Investigates sensitive cases that cannot be managed locally</li> </ul>
Global Business Integrity Officer (GBIO)	<ul> <li>Supports the CLO in ensuring an effective business integrity framework</li> <li>Chairs the Global Business Integrity Committee</li> <li>Oversees investigations of suspected CoBP breaches and presents findings to GBIC</li> </ul>
Global Business Integrity Committee (GBIC)	<ul> <li>Supports GBIO investigations of global cases (those occurring outside East Africa), or escalated cases from East Africa</li> <li>Representation from every region</li> <li>Ensures protection for individuals reporting CoBP breaches</li> <li>Convenes regularly to discuss the overall implementation of the business integrity framework and support the achievement of longer-term objectives</li> </ul>
Local Business Integrity Officer (LBIO)	<ul> <li>Oversees investigations of suspected CoBP breaches in East Africa and presents findings to LBIC</li> </ul>
Local Business Integrity Committee (LBIC)	<ul> <li>Supports LBIO investigations in East Africa</li> <li>Escalates cases as necessary</li> <li>Ensures local adherence to global business integrity standards</li> </ul>

We apply a Prevent-Detect-Respond approach to ensuring business integrity. The GBIC sets the direction for these initiatives, with LBIC and managers responsible for local implementation.

PREVENT	DETECT	RESPOND
Risk assessment	Reporting channels	Thorough investigations
Policies and controls	Monitoring and reviews	Enforcing the Code and supporting those who speak up
Communication and learning activities	Audits and expert deep dives	Continuous improvements to business integrity framework

To ensure employees can register any concerns or possible CoBP violations in a safe, anonymous way, we provide dedicated telephone hotlines in multiple languages. Colleagues can also use Convercent, an independent online business integrity reporting tool that protects employee data and fully complies with the EU Whistleblower Directive. Regardless of contact method, we

maintain a strict non-retaliation policy for anyone who raises a complaint.

Our people are required to make relevant disclosures, via Convercent, on topics including conflicts of interest, gifts or services given or donated, and legal proceedings.



We held CoBP training sessions throughout 2023, featuring detailed presentations, interactive quizzes and case studies to spark constructive discussions. Through these educational initiatives, we bolstered employee understanding of specific legal requirements, as well as the general ethical principles underpinning our CoBP.

To strengthen employee awareness of anti-corruption compliance policies, we shared essential knowledge and tools for identifying and addressing corrupt practices. These ranged from comprehensive presentations on anti-corruption laws to summaries of our own policies and engaging quizzes to test employee understanding. We also conducted scenario-based learning modules that detailed how to navigate complex situations involving bribery or unethical influence.

Our training materials in 2023 included detailed guidance for employees on navigating the complexities of competition law, with specialised presentations on vertical agreements and antitrust compliance. Through interactive modules and case studies, we illustrated the nuances of lawful market conduct and supported employees in confidently identifying and avoiding actions that might hinder competition.

- 70% of our people participated in CoBP training
- 766 cases were reported through our whistleblower channel
- 57% of reported cases closed within 60 days
- Zero confirmed corruption incidents



Reporting period and coverage

The creation of LIPTON Teas and Infusions excluded Unilever's tea businesses in India, Nepal and Indonesia, as well as the Pepsi-Unilever ready-to-drink joint venture (such as Lipton Iced Tea) and associated distribution businesses. This sustainability report focuses only on LIPTON Teas and Infusions' own operations and brands covering 96% of our employees and 99% of our revenue.

You can find more information about T2's sustainability performance in their most recent Sustainability Impact Report for 2022.

Our report includes data disclosures from 1st January to 31st December 2023. It also addresses certain events and initiatives that took place between 1st January and 31st March 2024.

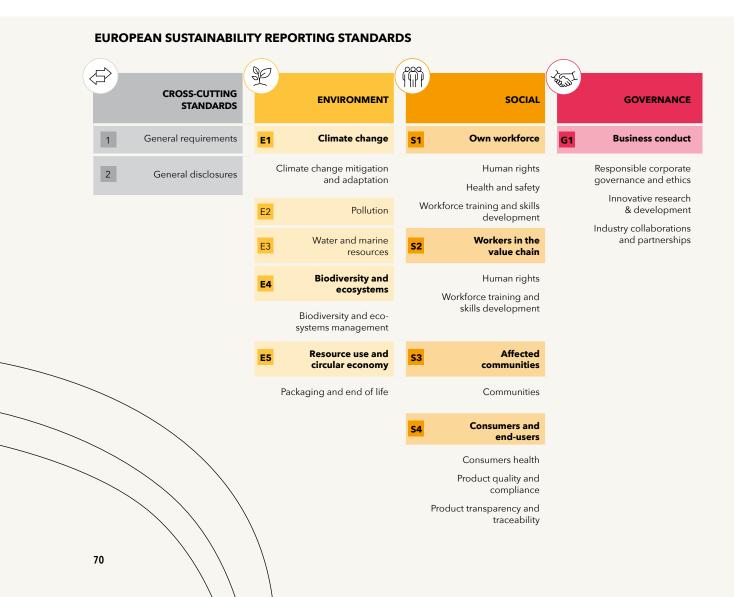
## Corporate Sustainability Reporting Directive

The creation of LIPTON Teas and Infusions excluded Unilever's tea businesses in India, Nepal and Indonesia, as well as the PepsiCo-Unilever ready-to-drink joint venture (Lipton Iced Tea) and associated distribution businesses.

The EU Corporate Sustainability Reporting Directive (CSRD) will apply to LIPTON Teas and Infusions as of 2026, when we will report on our activities for 2025.

We began preparations for CSRD compliance by conducting our first double materiality assessment in 2023. This has informed the identification of our material topics, as aligned with European Sustainability Reporting Standards (ESRS), on which we will be reporting in 2025. We determined that all ESRS topics are material to LIPTON Teas and Infusions except E2 (Pollution) and E3 (Water and marine resources).

With this first sustainability report, we are disclosing information in preparation for future sustainability reporting requirements.



## Data tables

HEALTH & WELL-BEING IMPACT	Unit	2023
Number of food safety recalls issued	number	1
Tea traceability to selling mark	%	100

ENVIRONMENTAL IMPACT		2023	2022	2021 (baseline)
Scope 1 direct emissions	tonnes of CO2e	22 737	28 597	36 692
Scope 2 emissions accounted for using GHG Protocol	tonnes of CO2e			
Market-based emissions	tonnes of CO2e	26 546	30 186	38 333
Location-based emissions	tonnes of CO2e	26 546	30 186	38 333
Scope 3 emissions	tonnes of CO2e	1 366 017	1 488 312	1 469 231
1. Purchased goods & services	tonnes of CO2e	1 191 146	1 306 367	1 216 701
2. Capital goods	tonnes of CO2e	7 725	8 549	21 057
3. Fuel- and energy-related activities	tonnes of CO2e	12 100	15 117	18 682
4. Upstream transportation & distribution	tonnes of CO2e	51 464	52890	54 569
5. Waste generated in operations	tonnes of CO2e	153	161	582
6. Business travel (excl. hotel stays)	tonnes of CO2e	3 297	313	487
7. Employee commuting (excl. WFH)	tonnes of CO2e	34 326	31 471	53 202
9. Downstream transportation & distribution	tonnes of CO2e	529	699	939
12. End of life treatment of sold products	tonnes of CO2e	65 277	72 745	103 012



ENVIRONMENTAL IMPACT continued		2023
Offices and factories		
Total energy consumption	kWh	48 369 722
Renewable energy consumption	kWh	13 266 000
Total water consumption from all areas	megalitres	133 395
Tea with an appropriate sustainable sourcing certification e.g. RA, Organic, Fair Trade	%	97.3
Total waste produced	tonnes	4 632
Total weight of non-hazardous waste	tonnes	4 630
Total weight of hazardous waste	tonnes	1.8
Total weight of waste recovered	tonnes	4 500
Tea estates		
Total energy consumption	kWh	1 718 651
Renewable energy consumption	kWh	64 996
Total water consumption from all areas	megalitres	37 375
Total waste produced	tonnes	44
Total weight of non-hazardous waste	tonnes	44
Total weight of hazardous waste	tonnes	0
Total weight of waste recovered	tonnes	43
Factories zero waste to landfill	number	8

SOCIAL IMPACT		2023
Offices and Factories		
Total number of employees	number	3 326
Total number of employees self-declared female	number	1 087
Total number of employees self-declared male	number	2 168
Total number of managers	number	501
Total number of managers self-declared female	number	177
Total number of managers self-declared male	number	320
Unadjusted gender pay gap	%	-3.5
Workforce covered by formally elected employee representatives	%	32
Work-related fatalities	%	0
Days lost due to work-related injuries	number	233
Work-related injuries	number	3
Tea estates		
Total number of employees	number	7 875
Total number of seasonal workers	number	7 924
Total number of managers	number	265
Total number of managers self-declared female	number	114
Total number of managers self-declared male	number	151
Workforce covered by formally elected employee representatives	%	96
Workforce received training on diversity, discrimination and/or harassment	%	100
Work-related fatalities	number	0
Days lost due to work-related injuries	number	256
Work-related injuries	number	16

