OUR RESPONSIBILITY.
OUR COMMITMENT.

COMPLIANCE AND SUSTAINABLE DEVELOPMENT
AT HÄLSSEN & LYON

Hälssen & Lyon
est. 1879

THE WORLD OF TEA UNDER ONE ROOF

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I. PREFACE

Dear Business Partners,
Ladies and Gentlemen,

As an international, family-owned company with more than 145 years of experience in the tea business, Hälssen & Lyon has a long tradition of responsibility – to our employees, our partners and society. This responsibility is both a prerequisite and a result of a value-oriented management.

A contemporary understanding of responsibility requires not only tradition but also the ability to change. In the future, we will continue to strive, together with our employees and partners, to make the production of tea and tea-like products sustainable and successful. This aspiration is an expression of our Hanseatic merchant culture.

This primarily customer- and quality-oriented approach must meet the increasingly complex requirements placed on internationally active companies today, both by the markets and the public. These demands on Hälssen & Lyon do not only mean that we want to ensure high-quality and safe products in collaboration with our partners in the supply chain. We also see it as our duty to make transparent the laws, contractual obligations, regulations or guidelines we and our partners follow and how we ensure their compliance.

Against this background, we began to develop our CSR policy in 2015, based on the principles of the United Nations Global Compact. The comprehensive principles of this code provided the basis for expanding our compliance management. Since then, our commitment has developed decisively.

A significant milestone in ensuring and expanding sustainable supplier relations is the use of the CSR platform Integrity Next. With this digital tool, we are able to assess supplier situations more quickly and comprehensively and initiate appropriate measures if necessary.

To strengthen our contribution to climate protection, we entered into an important partnership with ClimatePartner in 2019. The initial aim was to measure our company's CO_2 emissions, calculate our carbon footprint and identify potential for reduction. For several years now, we have also been supporting various certified climate protection projects from ClimatePartner's portfolio. In this way, Hälssen & Lyon is voluntarily helping to close the enormous financing gap in global climate protection.

We offer customers and partners who also want to make an active contribution to climate protection the opportunity to jointly support projects with sustainable goals. Let us work together towards these goals. Contact us if you are interested and would like to find out more.

Christian Meckel
Management Hälssen & Lyon GmbH

II. COMPLIANCE AND INTEGRITY

"The World of Tea under one Roof": Together with selected partners around the world and our employees at our headquarters in Hamburg, Germany, we work to provide our customers with innovative, high quality products and outstanding service. For us, entrepreneurship and responsibility for the impact of our business are inextricably linked. As an internationally active company, we align our understanding of corporate responsibility with universal values and standards of conduct. A central component of our corporate culture is the conviction that we must do business based on a common understanding of right and wrong – across a wide range of national, linguistic and cultural boundaries. We therefore work with our partners and suppliers to convey the importance of responsible and compliant behaviour (compliance) for a successful business relationship with Hälssen & Lyon, to continuously improve the state of compliance and to support our partners in establishing appropriate standards and principles.

In addition to following rules, Hälssen & Lyon strives for a corporate culture of integrity. For us, acting with integrity that not only meets the legal requirements but is also based on a common understanding of ethical principles is a key prerequisite for lasting success. This applies both to our employees' interactions and to our dealings with our partners, such as joint venture partners, suppliers and customers. Compliance and integrity are directly related: as we understand it, those who respect not only the core values but also the company's specific compliance are acting with integrity.

An important landmark on our way towards responsible and compliant corporate governance is the United Nations Global Compact[1]. Hälssen & Lyon has set itself the task of complying with and actively promoting the ten principles of the Global Compact in the fields of human rights, labour standards, environmental protection and anti-corruption.

In addition, we have outlined our commitment to corporate governance with integrity and compliance in other documents that affect our company and our business partners in the supply chain.

For example, we are committed as a member of the German Tea & Herbal Infusions Association (Deutscher Tee & Kräutertee Verband) to implementing the internal Code of Practice[2] of the association. The code of conduct of the German Tea & Herbal Infusions Association also constitutes an integral part of our purchasing guidelines.

Our partner platform Integrity Next sends out questionnaires on the topics of the environment and labour and human rights to assess suppliers. In addition, qualified employees of Hälssen & Lyon carry out supplier visits, and if needed, external auditors as well. Strategic suppliers are evaluated regularly, other suppliers when deemed necessary. Existing information is verified and any deficiencies identified are documented and discussed with the supplier. Serious deficiencies must be rectified within a time set by us. If this does not happen, the business relationship will be terminated.

Furthermore, Hälssen & Lyon expects its business partners to comply with all applicable legal regulations. In this regard, each partner remains obliged to inform themselves about the respective relevant legal situation. If the same issues are covered by several industry standards or national or international laws, we will be guided by the regulations and standards that are relevant for us.

Hälssen & Lyon itself has been undergoing the SMETA audit (SEDEX Member Ethical Audit[3]) since 2011. Based on the Base Code of the ETI (Ethical Trading Initiative[4]), our company's compliance with all social and labour law requirements has been confirmed.

[1] https://unglobalcompact.org/what-is-gc/mission/principles (see annex)
[2] https://www.haelssen-lyon.com/company/our-responsibility/
[3] SMETA: Leading Audit for Supply Chain Sustainability (sedex.com)
[4] https://www.ethicaltrade.org/eti-base-code

III. OUR BUSINESS RELATIONSHIPS

We want to set standards – in terms of quality and service. But also with ethically impeccable behaviour. We want to achieve this by working together with our employees, suppliers and partners. In this spirit, we value long-term partnerships. With partners who share a common understanding of values with Hälssen & Lyon.

The binding basis for this is provided by our Code of Conduct: the principles contained in it apply to the entire company, including management and employees, and form the basis of our business relationships. This directive defines minimum standards, designed to ensure the integrity of our company and our employees. The principles of the Code of Conduct are known to all employees and are communicated as binding rules.

Upon suspicion of a violation of the rules laid down in the Code of Conduct, any employee or business partner is requested to inform management. They examine the relevant information and take further measures in the event of initial suspicion. All information obtained in this way is treated confidentially and the anonymity of the informant is guaranteed in all cases.

Our goal is ethically impeccable business relationships. In this context, Hälssen & Lyon demands and promotes compliance with the following canon of behaviour:

- **Avoiding conflicts of interest:** Hälssen & Lyon makes decisions solely on a factual basis and does not allow to be influenced by personal interests.
- **A clear ban on corruption:** Hälssen & Lyon does not tolerate any corrupt practices and takes action against them as soon as allegations or violations become known. The highest level of integrity is expected in all business activities and relationships.
- **Caution when engaging partners:** Hälssen & Lyon is responsible for its own actions and applies the same standards to the activities of its business partners. If doubts arise about the integrity of business partners or significant changes occur, for example in the ownership structure, Hälssen & Lyon will initiate the necessary checks.
- **Export controls:** Hälssen & Lyon ensures compliance with all relevant laws governing the import and export of goods, services and information.
- **An unequivocal commitment to fair competition:** Hälssen & Lyon is committed to fair competition. Hälssen & Lyon complies with laws that protect and promote competition, in particular antitrust laws. Accordingly, collusion with competitors and other measures which impede the free market are not permitted.
- **Comprehensive data protection:** Hälssen & Lyon complies with all laws regarding the protection of personal data of employees, customers, suppliers and business partners.
- **Protection of business secrets:** Hälssen & Lyon prohibits its employees from releasing confidential content to any third party or making it available in any other form without authorisation.

IV. ETHICAL SOURCING OF RAW MATERIALS

Our products are based on high quality raw materials that meet our strict quality standards. It is equally important to us to work with our partners in various regions of the world towards the implementation of the labour, social and environmental standards that we demand. These standards are founded on the principles of the United Nations Global Compact and are anchored in the Code of Conduct of the German Tea & Herbal Infusions Association as well as our Code of Conduct. By respecting these documents our strategic suppliers commit to complying with and implementing the legal requirements. They are regularly evaluated by us according to our supplier guidelines. To ensure that our rules and standards are implemented at all times, employees of Hälssen & Lyon regularly travel to the countries of origin and, if necessary, support the implementation of our guidelines on site. In this way, we aim to contribute to a lasting improvement of living and working conditions in the countries of origin.

Commitment to high labour standards worldwide

Hälssen & Lyon works with partners from all over the world. To enable the sustainable and responsible production of our raw materials regardless of the different labour law situations in the individual countries, Hälssen & Lyon is committed to high labour standards worldwide. Our objective is that the labour standards that Hälssen & Lyon regards as responsible and ethically correct are also to be found among our partners. These standards include:

- **The observance of human rights:** Hälssen & Lyon respects and supports compliance with internationally recognised human rights.
- **The free choice of employment:** Hälssen & Lyon does not tolerate forced labour[5] under any circumstances. This also applies to encouraging or inducing it. All workers must be treated fairly and their rights must always be respected.

  Workers must be free to terminate the employment relationship with reasonable notice. Forced or involuntary labour can include practices such as: restricting people's freedom of movement; withholding wages or identity documents to force them to stay at the workplace; trapping people with unjustified demands or wage deductions from which they cannot escape; loss of social status[6].

  All business partners must ensure that workers understand their rights regarding the payment of wages, overtime and the retention of identity documents.

  In the event that workers are hired by third parties, special care must be taken to ensure that these principles are properly applied.
- **The outlawing of child labour:** Hälssen & Lyon is committed to the effective abolition of child labour. Children must not be hindered in their development. Their safety and health must not be impaired. All business partners are prohibited from employing children in violation of the ILO Convention[7].

  The minimum age for employment shall be the legal minimum age for the country or the age for completion of compulsory education in that country, whichever is higher.

[5] The requirements of the Modern Slavery Act must be respected (Modern Slavery Act 2015)
[6] ILO Convention No. 29, 105: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C105
[7] ILO Convention No. 138, 182: https://www.ilo.org/ipec/facts/ILOconventionsonchildlabour/lang--en/index.htm

- **Full equality of opportunity and non-discrimination:** Hälssen & Lyon is committed to upholding equality of opportunity in employment and to refraining from discrimination of any kind. There must be no different treatment of employees because of gender, race, disability, origin, religion, age, sexual orientation or gender identity. The same applies to all business partners. Workers must not be discriminated against or otherwise marginalised in recruitment procedures and in connection with the work, promotions, other benefits, access to training, work assignments, wages, benefits, termination or retirement[8].
- **Unrestricted freedom of association:** Hälssen & Lyon ensures that employees can communicate openly with management regarding working conditions, without having to fear disadvantages. We respect the right of workers to organise, to join a union, to appoint representative bodies and to be elected to them.
- **Fairness in wages, working hours and social benefits:** Hälssen & Lyon is working with its partners/suppliers to ensure that remuneration and benefits are based on the principles of collectively agreed minimum wages, applicable overtime regulations and statutory social benefits. The wages paid must not be lower than those established for trade or industry in the country where the work is performed. If there is no legal obligation to set a minimum wage, ILO Convention No. 131 is the basis for setting the minimum wage.

  Working hours must comply with the applicable laws. Overtime as a substitute for an insufficient regular wage must be rejected. Similarly, work or services outside normal working hours must not be enforced by exploiting the vulnerability of workers under threat of punishment.
- **Safety in the workplace:** Hälssen & Lyon ensures safety and health protection in the workplace within the framework of the applicable national regulations and supports continuous development to improve the working environment. Work must be arranged in such a way that all employees can perform their jobs safely and without risk to their health. Activities must be carried out in a safe manner, in accordance with all applicable legal requirements, in accordance with recognised codes of practice and industry best practice standards.
- **Use of safety personnel**: where private or public security forces are engaged or used to protect business projects as part of the production and procurement processes, sufficient instruction and supervision must be provided to ensure that such use does not violate the prohibition of torture and cruel, inhuman or degrading treatment, does not harm the life and limb of people, and does not interfere with the freedom of association and the right to organise.

Certifications/partnerships for fair trade

Beyond labour issues, we are also committed to the implementation of fair trade standards worldwide. Hälssen & Lyon offers, among others, a range of products that are labelled by leading certification schemes. We support various projects of Rainforest Alliance / UTZ, which is dedicated to the environmentally friendly, socially responsible and economically sustainable growing and production of food. We also support the Fairtrade/Fairtrade USA and Fair for Life labels and have numerous certified products in our range. These certifications serve to document improvements in living and working conditions in the countries of origin of our raw materials. Through the fair trade with our products, we want to contribute to enabling fair and sustainable trade relations for producers and farmers.

[8] ILO Convention No. 100, 111: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_Ilo_Code:C100

Projects in the supply chain

Hälssen & Lyon values its long-term and close cooperation with its suppliers. In many growing regions such as China, India and Sri Lanka, we therefore have cooperation projects with our business partners that are constantly being expanded. These projects guarantee Hälssen & Lyon the availability of first-class quality products and give the suppliers the security of being able to market their high quality raw materials. In addition, this cooperation contributes to the long-term economic development of the producers in the countries of origin and promotes biodiversity and environmental protection in the growing regions.

V. PRODUCT QUALITY AND SAFETY

From the quality of the raw materials to the production and delivery - Hälssen & Lyon stands for teas of excellent quality. To guarantee this promise in the long term, our standards for product safety and quality are set by internationally recognised standards such as the IFS Food standard and the HACCP concept (Hazard Analysis Critical Control Point).

With an efficient and certified quality management system, we constantly strive to ensure the comprehensive safety of our products: for example, through the computer-aided traceability of all batches, video surveillance of outgoing goods and shipment control using scanning technology. We also conduct elaborate tastings to ensure the high quality of our product range. The safety of our products is carefully checked in accredited European quality control. Upon delivery, all products and services must meet the contractually defined criteria for optimum quality, as well as active and passive safety and must be safe to use for their intended purpose.

The basis for the approval of our raw material suppliers is, among other things, the answering of an extensive questionnaire and the confirmation of our product specifications. Strict controls on the use of pesticides and compliance with essential hygiene requirements in all storage and production areas are of vital importance.

Our internal supplier evaluation, the detailed supplier questionnaire and regular monitoring of key suppliers serve to continuously review and improve of all essential quality-related processes in our supply chain.

In addition, our company has been certified organic since 1994. Hälssen & Lyon is certified according to Council Regulation (EC) No. 2018/848 and NOP (USDA) directive and is regularly controlled by the organic inspection body KIWA GmbH (DE-ÖKO-001).

VI. SUSTAINABLE DEVELOPMENT

Beyond our compliance activities, we at Hälssen & Lyon strive to develop Corporate Social Responsibility as part of our corporate culture and to integrate it step by step into our business processes. We have already started to work on the following fields of activity in which we intend to further expand our commitment in the future:

Environmental protection

As a supplier of high quality tea and tea-like products, we aim to develop products and production technologies that are as sustainable as possible in order to improve the living and environmental quality at our locations. Environmental protection as well as health and safety are not detached from other goals, but are an integral part of our corporate strategy aimed at long-term increase in value. We aim to involve both employees and partners. According to our terms and conditions, our suppliers are required to comply with all applicable laws. Our environmental guidelines provide an additional framework. These include:

- **Environmental guidelines**: Hälssen & Lyon takes measures to protect the environment during the product life cycle. We also expect our partners to strive to conserve valuable resources, reduce energy consumption and generate less waste and emissions through sustainable practices.
- **Reduction of emissions and water consumption**: Hälssen & Lyon encourages the development and use of technologies to limit CO_2 emissions and water consumption, and promotes solutions for energy saving and recycling. We also expect the same from our partners.
- **Prevention of pollution**: Hälssen & Lyon and its partners ensure that, as far as possible, harmful soil changes, water and air pollution, noise emissions and excessive water consumption are avoided throughout the supply chain. In particular, it must be ensured that the production and procurement processes do not significantly impair the natural basis for the preservation and production of food, do not impede people's access to safe drinking water and sanitary facilities, and do not endanger people's health.
- **Deprivation of land, forests and water bodies and forced evictions**: it must be ensured that there is no unlawful acquisition, construction on or other use of land, forests and waters whose use secures the livelihood of people. Furthermore, it must be ensured that no unlawful evictions take place.
- **Persistent organic pollutants**: Hälssen & Lyon ensures that its production and procurement processes comply with the Stockholm Convention of 23 May 2001[9] on Persistent Organic Pollutants and that there are no violations of its prohibitions on the production and use of certain chemicals or on the environmentally unsound handling, collection, storage and disposal of waste containing these chemicals.
- **Biodiversity**: Hälssen & Lyon and its partners are committed to protecting the biodiversity of ecosystems, i.e. the natural environment in which the supplier operates, including air, water, land, raw materials, flora, fauna, people and their interactions. Procurement of materials that could lead to loss of biodiversity - genetic diversity, diversity of species or ecosystems - or degradation of ecosystems must be avoided.

[9] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A22006A0731%2801%29

In the production and further processing of raw materials at our domestic sites, we place particular emphasis on the application and further development of energy-saving as well as low-emission and low-waste technologies. At our production site in Thuringia, energy is mainly supplied by a combined heat and power plant and solar power. In addition, all offices and workshops have been checked for their energy efficiency in order to use energy-saving materials there. Furthermore, we ensure that our waste materials are separated and returned to a recycling cycle. For the printing of our advertising materials, we use resource-saving paper from sustainable forestry.

Employer responsibility

Competent and committed employees are the basis for the success of Hälssen & Lyon. We therefore support the purposeful advanced training of our employees and offer young persons the opportunity of a sound initial training/apprenticeship in our company. We have a clear objective of retaining as many apprentices/trainees as possible after the training. In this way we create new jobs and give young persons a career perspective in a growing company.

In addition, we have an explicit commitment to equality and cultural diversity. For example, at present people from 30 different nations work for our company. 31% of employees have a migrant background or a nationality other than German. As a family business, we place particular emphasis on family-friendly and flexible working hours and also offer tailor-made working time models. We promote our employees' health in particular through occupational health care and the consideration of ergonomic aspects in the workplace.

Social commitment

As an internationally active company, we also see it as our duty to assume social responsibility – at our headquarters in Germany as well as in the countries from which we source our teas and raw materials. We regularly make donations to support projects in the countries of origin. With the help of our donations, for example, a project to promote the economic independence of women as well as the construction of a primary school for 120 children could be realised in Sri Lanka.

Through our partnership with ClimatePartner, we support certified carbon offset projects in key growing countries, such as a wind energy project in India and a hydropower project in Sri Lanka. These projects are proven to reduce CO_2 emissions or sequester CO_2 from the atmosphere, contributing to the UN's Sustainable Development Goals worldwide.

Supporting regional and local social institutions and projects is also important to us. For example, we have been cooperating closely with the Geesthacht workshops for the disabled for several years and regularly place orders for tea packaging. We also donate tea to social institutions such as the food bank Hamburger Tafel e.V.

VII. CONTACT

Your contact for all questions about our commitment to sustainability and compliance is:

Frank Braun
CSR Representative

Phone: +49 40 36 14 3-251
E-mail: fbraun@haelssen-lyon.com

HÄLSSEN & LYON GMBH
Pickhuben 9
20457 Hamburg
Germany

Phone: +49 40 36 14 3-0
Fax: +49 40 36 14 3-117

info@haelssen-lyon.com
www.haelssen-lyon.com

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