Our continued success is dependent on the health of the environment, the welfare of our people and the prosperity of the communities which support our activities. We have long recognized the importance of taking good care of our people and looking after our land; we understand that when our people and the communities in which we operate grow and prosper, so do we.

This is now our second Annual Sustainability Report, and we make no apologies for any repetition. The quest for sustainability is never ending, and the same ground must be covered time and again. This report covers the consolidated activities of Ceylon Tea Services at Group level and follows the Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines at GRI Level C. As usual, we review progress against the sustainability targets we have set ourselves and set new targets that build on our achievements for future years. We continue to focus on the key areas of energy, water, waste, carbon emissions, biodiversity, product responsibility with society and our community engagement featuring prominently.
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1.1 MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

It is our pleasure to present you with a review of the sustainability performance of Ceylon Tea Services PLC – the Dilmah Brand for the year that ended 31st March 2015.

In Sri Lanka, tea is much more than just a beverage; it is indeed a way of life. It is so deeply embedded in our psyche, in our roots, that life cannot be imagined without a cup of hot tea. For generations, this has motivated people to internalize the tea experience and externalize their social awakening.

Today, the world faces some fundamental challenges – a growing population, diminishing natural resources, threats to the environment from waste, climate change and inequalities in health and wealth. Governments and individuals need to act now – and so do businesses like ours. We are on a mission to make sure the products we sell are good for consumers, good for the environment and good for the people in our global supply chains.

We are focusing on using our brand to make it easier for people to consume sustainably. We are using sustainability challenges to drive innovation. We are engaging with stakeholders to help them help us take positive action, and we have created a culture that encourages our employees to make responsible choices. We are also providing funds and practical support for communities touched by our business around the world, through corporate initiatives, brand campaigns and employee volunteering.

Our core commitment to sustainability remains as deep and unwavering as before. Throughout the year, our teams have led the growth agenda to enable Dilmah to emerge as a global beverage business. The teams have created several breakthrough programs and achieved results in a holistic manner. A focus on innovation, climate change and safety has enabled us to alter our previous norms of sourcing, delivery and construct of product offerings, and we are beginning to see the benefits from such a commitment.

Whilst the implementation of these initiatives tend to enhance the short term cost of operation, they are the ‘real’ costs of conducting a sustainable business, and we stand committed to developing our business accordingly. We firmly believe that such efforts are in keeping with the Group’s Sustainability Policy, reflect our core values and help us to build brand equity whilst enriching operations in the long term. In the last report we shared our business strategy of identifying opportunities for strategic innovation and market expansion, and the environmental and social considerations linked with the strategy. This year we are happy to share the milestones of our journey across these as well as new issues that are now factored in the way we do our business.

A climate change aligned business strategy is now a Group commitment, and at Dilmah we are beginning to understand complexity and address issues going forward. To reduce the use of fossil fuels, a model bio-gasification plant using spent tea has been commissioned at our center at Moratuwa. We initiated mapping of our carbon footprint across our manufacturing facilities and shall evaluate recommendations as they emanate.

The tea industry is going through a state of flux, and there are several changes occurring across the industry. The globalization of the trade and increased opportunities of global sourcing have rendered the tea industry highly competitive. Globalization has also led to strengthening of regulations and safety standards across the food industry. The company recognizes that key success factor in the changing scenario is keeping abreast with consumer preferences especially youth, regularly meeting their expectations, increasing the reach of products, offering innovative products across segments and markets, managing raw tea sourcing, leadership in thought, food regulation and policy formulation, and supply chain issues.

We hope that the information presented in the Report and on our website provides a view of our commitment to the triple bottom line and enables you to track the progress of our business excellence journey. We look forward to your feedback on our initiatives and on this report. In conclusion, I would like to convey my sincere appreciation to the Board of Directors, corporate management and the entire team of staff for their dedication and commitment. I also extend my sincere appreciation to all our stakeholders for the confidence placed in us as we look to the year ahead with renewed vigor and commitment.

Merrill J. Fernando
Founder of Dilmah
1.2 OUR CORE COMMITMENT TO SUSTAINABILITY

The philosophy that drives every facet of the family brand is one of making business a matter of human service. This is a covenant the Founder entered into with his consumers in the 1950’s. In 2005, Merrill and his sons Dilhan and Malik, pledged to follow the principles dictated by the Six Pillars of Dilmah in every aspect of their business and in the conduct of their workers, staff and management. The Six Pillars are Integrity, Tradition, Quality, Our Customer, Ethics and Sustainability.

The 6 pillars

INTEGRITY TRADITION
QUALITY our CUSTOMER
ETHICS SUSTAINABILITY

POLICY

In 2010, in partnership with over 100 of its partners worldwide, Dilmah promised to ensure that all its operations are bound by a respectful and sustainable interaction with nature and the environment by guaranteeing a core commitment to sustainability by issuing the following declaration:

*Dilmah owes its success to the quality of Ceylon Tea. Our business was founded therefore on an enduring connection to the land and the communities in which we operate. We have pioneered a comprehensive commitment to minimizing our impact on the planet, fostering respect for the environment and ensuring its protection by encouraging a harmonious coexistence of man and nature. We believe that conservation is ultimately about people and the future of the human race, that efforts in conservation have associated human well-being and poverty reduction outcomes. These core values allow us to meet and exceed our customers’ expectations of sustainability.*

Environmental responsibility and sustainability have been central to the Ceylon Tea Service’s enterprise since its incorporation, and the company has continued to reaffirm this commitment towards conscious environmental and social development initiatives.

In 2007, Dilmah Conservation was announced as a business objective with the aim of protecting the environment by encouraging a harmonious co-existence between man and nature. The effort of this conservation aspect of Dilmah’s activities was assisted by IUCN, International Union for Conservation of Nature, the world’s largest conservation organization, which provides environmental expertise and research facilities in various parts of Sri Lanka and worldwide, to help implement environmental conservation programs. Since its inception, Dilmah Conservation has engaged in promoting sustainable environmental and social development initiatives geared towards mainstreaming sustainability, encouraging research, conserving and protecting Sri Lanka’s wealth of biodiversity, restoring habitats and ecosystems restoration, empowering indigenous communities, endorsing sustainable livelihoods, and supporting environmental and nature education.

Further, five companies of the MJF Group, namely, MJF Holdings Ltd, MJF Exports (Pvt) Ltd, Ceylon Tea Services PLC, MJF Teas (Pvt) Ltd, and Dilmah Fine Teas and Herbs (Pvt) Ltd., conducting their operations in Peliyagoda, have been awarded ISO 14001: 2004 certification.

The implementation of these standards towards meeting an overarching goal of establishing a comprehensive environmental management system that is mindful of all aspects of the environment including land, water, air, natural resource consumption, energy use implication to the ozone layer and climate change, is being driven by a team representing all Dilmah departments. Dilmah Conservation has been leading initiatives geared towards improving environmental performance.
In 2014/15, we have seen a mixed yet encouraging performance across the group. Our Dilmah Conservation Sustainable Agriculture Research Centre (DCSARC) received recognition as a sustainable initiative by the Ceylon Chamber of Commerce Sustainability Awards in November 2014. The centre continues to focus its research on organic fertilizer, pest management, non-soil cultivation and hydroponic agriculture. Tea waste generated at our head office in Peliyagoda is processed as fertilizer at the centre. This composting activity has been identified as a project contributing to the ISO 14001 certification of the Head Office premises. The biogas plant at DCSARC contributes towards fulfilling energy requirements for cooking purposes, whilst the waste generated is used as bio fertilizer in cultivation. At a daily waste feeding capacity of 500kg, it is anticipated that this plant will generate 5.5m³ of biogas every day. This biogas plant will ensure greater environmental and financial sustainability by helping to streamline waste disposal and reduce associated costs, pollution and dependence on non-renewable energy resources, while supplementing organic gardening initiatives at DCSARC. Rainwater harvesting was introduced for use of MJF Charitable Foundation staff. During the year, organic certification for DCSARC was obtained by Control Union.

Continued efforts were centred on tea small holders aiming to strengthen their increase in yields and quality by improving the understanding of nature, extent and causes of reducing yields, developing and adopting appropriate decreasing assessment and profiling methodologies, elaborating guidance for the better integration of tea small holders and artisanal suppliers in increasing strategies, promoting the sector and disseminating related experiences from pilot studies and projects.

The excess application of fertilizer and pesticides from agricultural runoff deteriorates water quality causing these streams to become uninhabitable for aquatic fauna and flora. The diversity and abundance of aquatic species found in freshwater is an indicator of its quality. An index developed to account for the diversity and abundance of aquatic species is being utilized to predict the quality of water in a fresh water body with the technical support of the University of Colombo. This indicator will be widely used in selected Dilmah tea estates in the low-country and mid-country areas of Sri Lanka to predict the levels of pollution in water bodies, determine freshwater quality in functioning tea estates and to predict the quality of water using aquatic insect diversity in human-managed landscapes.

The natural and semi-natural areas of the tea estates belonging to the Dilmah Group function as important repositories of Sri Lanka’s biodiversity. These estates can therefore contribute immensely to the long-term conservation of Sri Lanka’s biodiversity, improve their contribution as watersheds for important rivers and has the opportunity of instituting a model conservation programme that can be followed by other like-minded estates. We continued to develop management plans for the natural areas that lie within our estates. During the year, Rilhena, Opata and Hunuwela, estates were studied to improve the overall ecological integrity and watershed services of these properties.

Dilmah aims to adopt a landscape approach to the management of its estates centred on the emerging field of connectivity conservation and seeks to link the tea estates within the wider context of natural and productive lands to adopt a more integrated approach. The establishment of a biological corridor at Endana estate is being developed, enhancing species movement over private lands as a model for the sector. The Climate Change Field Research Station, being developed at Queensberry Estate, Kahawatte Plantations, which is a long felt need will constitute a solid base in field research. This opportunity will also provide a window for collaborations locally and internationally on climate change and its impacts on globally-threatened mountain
ecosystems and landscapes in Sri Lanka. The initiative aims to explore possibilities of reducing carbon dioxide emissions of the tea sector in the country that would eventually help avoid further costs on mitigating climate change, yielding better economic benefits and lowered impacts on the environment. The center will be the first of its kind, analyzing the carbon footprint in a life cycle assessment from planting to the final product of the main economically important agricultural export products. It would also serve as a guide for better manufacturing processes of relevant products, thus reducing the impact on climate change and the overall environment.

The carbon footprint of the factory operations at the Dilmah tea processing and packaging facility at Peliyagoda, based on the energy sources and other activities, was calculated and the necessary measures for implementation towards becoming a carbon neutral facility by 2017 have been identified. Activities pertaining to the conversion of waste tea into bio-char have been continued over 2014-15. Bio-char applications have taken place in Craighead Estate and Queensberry Estate with applications of 05 hectares in each estate with 10 tonnes of Bio-char. The patent for the prototype Bio-char reactor developed in 2013-14 has been filed and is pending. The Rihena factory uses approximately 2.5 tonnes of firewood per day. Under normal conditions, this amount is used to evaporate over 500 liters of water in addition to providing heat for tea driers. Dilmah Conservation pioneered an initiative towards reducing firewood usage by 20%. Trials carried out have indicated that the reduction could be as high as 50%, and a prototype has been designed and installed. Trials were conducted under various weather conditions to ensure that the drying process remains effective and relevant improvements were made.

The development of a sustainable tea standard specifying requirements for an integrated management system was initiated including control aspects related to food safety, environment, social, economic, product quality and traceability in order to ensure that tea is safe at the time of human consumption. All the requirements in the standard are intended to be applicable to all organizations in the value chain of the tea sector regardless of size and complexity.

Continuous reductions per unit across water, waste, carbon and energy show year on year sustained improvement. Since we began our sustainability journey, our tea estates have made significant progress. The lesson learnt is how much progress can be made by continuous focus on a large number of small improvements. We see collaboration across the various stakeholder groups as vital if we are to address some of the global sustainability challenges in tea, particularly at the scale and speed that is required. We are committed to taking a leadership role in major cross industry initiatives that undertake multilateral stakeholder engagement. Collaboration is essential if we are to achieve widespread, meaningful and lasting change. Most of the sustainability problems we face are systemic and too big for any one organization to tackle on its own. We support the multilateral approach where we work with others across the industry and come together to find solutions in a collaborative manner.

Our major cross industry initiative launched in 2012 by Dilmah Conservation, IUCN and the Ceylon Chamber of Commerce is the Sri Lanka Business and Biodiversity Platform, established to cater to the demand for the establishment of a facility where businesses can come together to share experiences and best practices, learn from their peers, and voice their needs and concerns aiming to strengthen the link between the business sector and biodiversity conservation. The platform benefits business by providing access to sectoral best practices for biodiversity conservation through its resource centre and contributes to the development of best practice, highlighting outstanding contributions to biodiversity. The Platform consists of corporate leaders that have demonstrated that biodiversity conservation is vital for supporting healthy ecosystems and communities. The end goal is to create a shared vision of what the
corporate sector needs to achieve collectively to ensure it has a prosperous and sustainable future. The Sri Lanka Business and Biodiversity Platform has set up an initiative for collaborative action to address specific issues driving change across the tea industry.

There has been a lot of good work done by the likes of Fairtrade and Rainforest Alliance in trying to improve working conditions and environmental controls for producers in less developed countries. However, certification standards can only take us so far. Sometimes the standards can have unintended consequences and they do not always address the most material issues which might be different in different countries. One size does not fit all. For example, two of the biggest sustainability issues in Sri Lanka are soil erosion and low labour productivity. Yet these issues are not tackled by any certification programme. What we are now aiming to achieve collectively is something that goes beyond compliance. In a nutshell, we want to get all the key stakeholders together for each geographic region to agree on which sustainability issues are most material to them and then identify root causes so we can come up with more effective solutions for each major landscape. To find a lasting solution to the problems, we need to properly distinguish between cause and effect and prioritize based on materiality for each particular geographic region. Going forward, we need to move beyond the band aid solutions of certification to a more holistic set of sustainability solutions.

Constantly keeping an eye on the future is a prerequisite to ensuring that our core commitment to sustainability stays focused. It is five years since we developed our sustainability strategy and policy. Our amazing tale unfolds with the blessing of nature upon Ceylon Tea – the natural alchemy of climate and soils that produces the world’s finest tea. It develops from there, weaving through the lives of the tea pickers and their families, through the village communities around our island, through the forests and waters around Sri Lanka, and reaching its climax in your cup of tea.

THE SRI LANKA BUSINESS AND BIODIVERSITY PLATFORM: WORKING TOGETHER TO ENSURE THAT TEA HAS A SUSTAINABLE FUTURE

In November 2012, the Ceylon Chamber of Commerce (CCC), IUCN and Dilmah Conservation came together to launch the Sri Lanka Business and Biodiversity (B&B) Platform – a facility where businesses can share experiences and best practices, learn from their peers and voice their needs and concerns, aiming to strengthen the link between the business sector and biodiversity conservation. This platform has been created conforming to a decision made at the Convention on Biological Diversity (CBD) to further integrate the business sector in biodiversity conservation.

Membership of the Platform is opened to Sri Lanka based businesses ranging from SME’s to national and multinational companies, business associations as well as expert institutions. Currently, twenty leading corporates with high standards of environmental custodian-ship have backed the initiative by becoming its Patron Members. As another significant milestone, the Platform has now opened its doors to General Membership. Membership of the Platform brings in a wide array of benefits in the areas of biodiversity conservation and environmental protection. As a part of the services offered, the Platform has developed a comprehensive technical database carrying information on expertise available in diverse and relevant subject areas. Conservation related requirements of businesses are channeled to the intellectual mainstream and academia through this database. Links with existing and emerging networks and initiatives help businesses to find solutions to adjust their activities to ensure fair income and sustainable growth, whilst providing numerous benefits to both people and ecosystems. Knowledge of current best practices is disseminated through workshops and learning events, recognizing outstanding corporate contributions to biodiversity conservation.

The Platform has taken the lead in establishing international links and networks with other such centers of excellence and networking bodies such as the Global Partnership for Business and Biodiversity and the United Nations Global Compact (UNGC).

The tea industry is currently facing a series of challenges which threaten its future viability.
These can be categorized as environmental, economic and social, related to climate change, soil erosion, deforestation, energy scarcity, competition for land use, poverty, labor shortages, oil price inflation, commoditization, etc. Recognizing that these are systemic problems which no one company can resolve on its own, Dilmah along with a number of other like-minded businesses, have joined together in a Plantation Sector Standing Committee, seeking to address these issues and find solutions designed to ensure that tea has a sustainable future.

1.4 SCOPE OF THE REPORT

This report records performance against two sets of objectives:

1. Group indicators, which are those that apply to all our businesses
2. Business unit indicators, which are selected by each business unit to reflect its main challenges, details of which can be found within the individual business unit reports.

Our methodology uses the indicators based on Global Reporting Initiative (GRI) guidelines and carbon measurement is based on WRI and IPCC/ISO14064-1, WBCSD GHG protocols respectively.

The report covers our business units that have a significant social or environmental impact or which constitute a key financial component of Dilmah’s operations. Thus, Ceylon Tea Services PLC has been considered:

The MJF Group owns various tea packaging and export companies and is the majority shareholder of Kahawatte Plantations PLC, creating a vertically integrated tea business. The Group also has a strategic alliance with two other large plantation companies. The packaging and production divisions of the group are Ceylon Tea Services PLC, which exports value added packed tea under the Dilmah brand, MJF Exports Pvt Ltd., which sells tea in bulk to traders and blenders and MJF Teas Pvt. Ltd., specializing in the Soviet States, where it markets and sells retail tea under the Dilmah brand. Other interests of the Group include a number of tea related firms, Timber Concepts, MJF Beverages, Forbes and Walker Tea Brokers and Print Care.

1.4.1 REPORTING PERIOD

The report is for the financial year 2014/15. This follows on from our Sustainability Report of 2013/14.

If there are any queries about this report please contact:

Dilhan C Fernando
Executive Director
Ceylon Tea Services PLC
111, Negombo Road, Peliyagoda
Sri Lanka

1.5 MANAGEMENT APPROACH TO SUSTAINABILITY

We are committed to sustainability as a total business, supported and guided by our Corporate Office and driven by the senior management team within each Business Unit.

Each of our Business Units faces different challenges depending on its location, products or stakeholders. The Head Office provides oversight, facilitation and guidance, but it is the responsibility of each Business Unit to prioritize objectives relevant to their business. Sustainability objectives are aligned with business objectives and owned by the relevant function in those businesses, with clear responsibilities and measurable targets. This is backed up by accountability and transparency through public reporting of performance.

We are committed to sustainability as a total business concept, driven by the senior management team within each Business Unit, supported and guided by the Head Office. A Group Sustainability Committee was set up in early 2011, to ensure that we bring appropriate expertise together on a regular basis to highlight emerging issues. The Committee also monitors the Group’s response to dealing with sustainability challenges and keeps abreast of external factors impacting on our strategy. It has the remit to set targets, review and monitor our performance and where necessary, to commission Group sustainability projects addressing specific issues. It is also responsible for promoting and spreading best practice externally or within the organization, recognizing notable achievements and reviewing participation in accreditation and certification schemes.

The Group has many experts in water, energy, waste, certification schemes, labour relations and packaging. We aim to use our subject matter experts as thought leaders to facilitate the spread of knowledge across the Group. The targets we set are designed to balance specific business priorities with a common approach across the group. Sustainability Managers are now in place in each of the businesses reporting to the Managing Director of each business. Generally acting in an advisory capacity, they are charged with objectives specific to the business in which they operate, and many of them have specialist skills pertinent to these objectives.
Increasingly, sustainability metrics are being built into individual personal performance reviews as part of their Key Performance Indicators (KPI’s).

In a business characterized by diversified activities, setting common sustainability targets can be a complex process. Some of the medium term targets for incremental improvement are more easily achievable for some businesses than for others. To clarify our performance, we have provided data on total usage and carbon footprint as well as normalized data. Whilst we understand that carbon footprints have to reduce in total, normalized data in the short term helps the business demonstrate progress in terms of efficiency and cost reduction in addition to efficiencies driven purely by volume. Some areas are crucial to the long term viability within some businesses. Where this is the case, the Business Unit has taken a leadership position in the Group. One example is energy use in Tea Estates.

1.5.1 GROUP SUSTAINABILITY OBJECTIVES AND GRI INDICATORS

In 2007, we conducted an exhaustive review across the business with the purpose of formulating and uplifting a realistic sustainability strategy to guide our actions. Working with IUCN, International Union for Conservation of Nature, we explored the major sustainability trends and uncertainties that the company could be facing over the coming years. The strategy and action plan examined the possible impacts on the organization and how it could become a more resilient and sustainable company and at the same time, make as great a contribution as possible to the wider goal of sustainable development. In short, the aim was to develop a long-term and stretching sustainable development strategy for Dilmah. From this process, we identified a set of high level group sustainability commitments by which we now guide our actions and evaluate our success.

1.6 DELIVERING A SUSTAINABLE FUTURE

1.6.1 BUSINESS

We will address social, political and environmental issues by demonstrating that it is more financially rewarding to be sustainable

- Regularly take stock of our performance, taking action to increase the long term sustainability of our business portfolio over time;
- Explore new business opportunities in keeping with our sustainability goals;
- Maintain sufficient diversity in both our markets and products to ensure resilience;
- Make the true cost of production (including economic, environmental and social) clear and ensure, over time, that it is reflected in the price of the product over time;
- Communicate openly with our supply chain, the local community, pressure groups and the wider public about the case for sustainable development;
- Behave with honesty and integrity.

1.6.2 ENVIRONMENT

We aim to have ‘zero net impact’ as our minimum environmental standard. Overall, we commit to making a positive contribution to environmental recovery and resilience:

- Develop a comprehensive understanding of the likely impacts of climate change and implement appropriate adaptation measures for our operations and the communities with which we operate;
- Undertake to minimize carbon emissions;
- Continuously improve our resource management, practice excellence in our management of water resources and reduce our waste generation; reduce and eliminate the use and release of pollutants wherever possible;
- Lead the way in community watershed management;
- Protect and enhance biodiversity in the regions in which we operate;
- Demonstrate and promote sustainable pest and disease management, eliminating any negative impact on the environment;
- Maintain soil health through sustainable agricultural practices and avoid soil degradation by taking measures to prevent contamination and erosion;
- Demonstrate excellence in forestry management.

1.6.3 PEOPLE

We strive to make Dilmah an enjoyable and rewarding place to work, an organization that nurtures and develops its people for the benefit of the individual, the company, and the community.

- Employ our workforce according to universal international standards and treat employees fairly, with dignity and respect;
- Protect the health of our workforce and promote healthier lifestyles;
- Ensure that all employees, and their resident dependents, have access to food and shelter, sanitation, clean water and primary healthcare;
- Develop our employees’ life and business skills and empower all our employees to make their voices heard through democratic worker representative bodies;
1.6.4 COMMUNITIES AND PARTNERS

We will take an active leadership role in dealing with sustainability issues, and share our knowledge for the benefit of our suppliers, communities and society in general:

• A collaborative approach to addressing sustainability challenges and policy, engaging with growers, suppliers, customers, government, NGOs, union and industry bodies;
• Adopt a leadership role in supplier and smallholder development; demonstrating and providing best practice for our suppliers in crop selection, sustainable farming techniques, production processes and environmental management;
• Make sure we become a catalyst for positive change in the communities we serve.

1.6.5 PRODUCTS

We will develop and provide sustainable products and services that contribute positively to the health and well-being of society.

Reduce the lifecycle impact of each of our products and ensure sustainability is built into our New Product Development processes;

• Provide research and development capability exploring innovative, sustainable processes and products;
• Deploy sustainable processing technologies to increase product efficiency and competitiveness;
• Package our products in the most sustainable way possible using sustainable packaging innovation;
• Transport our goods in the most efficient and sustainable manner possible;
• Be proactive in supporting an equitable and ethical trading environment for our products.

The Group GRI Indicators have been chosen with the aim of developing our long-term and stretching sustainable development strategy for Dilmah

• Material Use: Use of materials for different aspects of operation (GRI Indicators: EN1);
• Energy: continuously improve our resource management (GRI Indicators: EN3, EN4, EN6);
• Water: practice excellence in our management of water resources (GRI Indicators: EN8, EN10);
• Waste: continuously improve our resource management and reduce our waste generation (GRI Indicator: EN22, EN21);
• Carbon: undertake to be carbon restorative and minimize emissions of other greenhouse gases (GRI Indicator: EN16, EN18);
• Biodiversity: (GRI Indicators: EN 11, EN 12, EN 13)
• Economic: demonstrate that it is more financially rewarding to be sustainable (GRI Indicators: EC1, EC3, EC8)
• People: make Dilmah a rewarding and enjoyable place to work (GRI Indicators: (LA1, LA3, LA6, LA7, LA8, LA9, LA10, LA11, LA13, LA15)
• Society: (S01)
• Product Responsibility: Quality of the product and responsible marketing (PR1, PR2, PR5)

The medium term 2014/15 targets were set against available data. As there was little or no collated data previously, these targets have been set as a starting point. It is therefore unlikely that many of these will be achieved. As 2016 approaches, improved data collection and understanding on the ground will allow the businesses to start defining their own targets both for the short-term and medium-term. These should be both realistic but stretching. On an operational level, the difficulty in getting metrics to reduce as the businesses change or adapt is an ongoing challenge and a more complex story of trade-offs.
SECTION 2 ABOUT DILMAH

2.1 OUR CORPORATE PROFILE

We are a vertically integrated and geographically diversified agribusiness taking a leadership role in sustainability. Sustainability is pivotal to our success; it lies at the very heart of what we do and what we stand for. It provides the common thread that pulls the Group’s different business units together.

Dilmah was born of a simple tea grower’s vision. Merrill J. Fernando’s desire to share the pleasure in tea with the world, and to do so ethically by benefiting workers in the otherwise exploited tea industry, was the genesis of Dilmah Tea. Nearly four decades of struggle that Merrill invested in making his dream a reality, were rewarded with an unexpectedly powerful welcome from tea drinkers around the world. Dilmah has grown from the impossible and often ridiculed dream of an ordinary Sri Lankan to a brand that is enjoyed in over 100 countries around the world. Dilmah is recognized as one of the top 10 tea brands in the world.

Merrill J Fernando fulfilled his pledge to making his Dilmah a genuinely ethical business with the establishment of his charitable foundation – the MJF Charitable Foundation. That commitment to ethics was set at the heart of Merrill’s business in the 1960s, long before Corporate Social Responsibility became the buzzword that it is today. Within that commitment lies a very powerful philosophy – that of making business a matter of human service. The MJF Foundation designs, funds and manages over 100 projects each year, while positively changing the lives of over 100,000 people each year.

In seeing success as something beyond its conventional, commercial definition, Merrill J Fernando demonstrated a powerful truth. He showed how relevant the often discarded traditional, family values are in present context. By placing integrity – as much in relation to his customers, in the quality of Dilmah Tea as to the workers and environment that help make Dilmah special - at the heart of his business, he offered a potent solution to many of the problems our world faces today.

Dilmah is a very special tea that honours quality, tradition and authenticity. Dilmah introduced the concept of Single Origin Tea. Single Origin offers tea drinkers the luxury of enjoying teas imbued with terroir, a blessing of nature. Celebrating the individuality of tea from different regions, and estates, Dilmah also offers Single Region and Single Estate Tea, rejecting as deceit the multi-origin blends preferred by its competitors for their substantially lower cost. A family mission to share the joys in Real Tea led to innovations in tea that can only be described as paradigm shifts. Real High Tea, Thé Culinaire, the Chefs & the Tea maker, the Mixologists and the Tea maker and Tea in Five Senses are genuine innovations designed to share the pleasure in tea with a new generation. Contemporary style, and a 21st Century interpretation of tea but very much defined by the tradition, quality, authenticity, and commitment to ethics and sustainability that are the hallmarks of Dilmah.
The philosophy that drives every facet of the family brand is one of making business a matter of human service. That is a covenant that Merrill entered into with his consumers in the 1950s when he first set out to achieve his dream. Merrill’s pledge is fulfilled today by the MJF Charitable Foundation and Dilmah Conservation extending the credo that business must go beyond commercial objectives.

**OUR PLEDGE**

*Share the pleasure and natural goodness in Single Origin Tea, grown and made in the traditional way and presented garden fresh, unblended.*

*Maintain our unwavering commitment to integrity, in relation to our customers and well-wishers as well as to the community that makes it possible for us to produce the world’s finest tea.*

*......to make our business a matter of human service.*

---

### 2.2 GROUP STRUCTURE

The Group comprises of 7 Business lines encompassing

- **Tea Exports** - Manufacture and export of tea; in pre-packaged, branded form.
- **Tea brokerage**
- **Leisure** - Establishment and management of boutique leisure properties
- **Properties** - Real estate and property development.
- **Trading** - Import and distribution of packaging machinery and material.
- **Investments** - Investment & private portfolio management.
- **Plantations** - Tea, coconut, spices and rubber estates
Although there are 41 companies in the MJF Group, the operation of Ceylon Tea Services PLC pertains to the following organizational structure:

- **MJF Holding Ltd** - Parent company
- **MJF Teas (Pvt) Ltd** - 2nd level hierarchy
- **Ceylon Tea Services PLC** - 3rd level, a subsidiary of MJF Teas
- **MJF Beverages (Pvt) Ltd** - a subsidiary of Ceylon Tea Services PLC

**GLOBAL NETWORK**

Our primary markets are in 102 countries.

Total Group Sales of Ceylon Tea Services PLC: Rs 7,357 Million

- Total capitalization broken down in terms of debt and equity: Rs. 8.6 billion - (Equity only)
- Economic value generated Rs. 1.9 billion
3.1 ENVIRONMENT

3.1.1 ASPECT: MATERIALS

EN1: MATERIAL USE

The core operation of CTS is tea blending, flavoring and packing. For this purpose, it uses different varieties of tea purchased from the Tea Auction. For the office functions, for a staff of approximately 400, printer cartridge use, paper use, photocopy toner use and CD/DVD use have been monitored and will be disclosed. CTS produces more than 2000 tea varieties and it’s not practical to evaluate the paper and printer cartridge use against the quantity of tea produced. Therefore, use of these materials is evaluated against the profit generated and in future also it will be monitored against the unit of profit generated.

EN1 – MATERIAL USE BY WEIGHT OR VOLUME

Total economic value of CTS for the Financial Year 2014/15 – Rs. 1.9 billion

Table 1: Use of Material

<table>
<thead>
<tr>
<th>ITEM</th>
<th>USAGE IN UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper 500 packs</td>
<td>634</td>
</tr>
<tr>
<td>Toner</td>
<td>54</td>
</tr>
<tr>
<td>CD/DVDs</td>
<td>220</td>
</tr>
<tr>
<td>Cartridge</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 2: Tea Waste Generation in Production

<table>
<thead>
<tr>
<th>MONTH</th>
<th>WASTE TEA GENERATION, kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>5383.3</td>
</tr>
<tr>
<td>May</td>
<td>4951</td>
</tr>
<tr>
<td>June</td>
<td>7344.2</td>
</tr>
<tr>
<td>July</td>
<td>10303</td>
</tr>
<tr>
<td>August</td>
<td>7160.7</td>
</tr>
<tr>
<td>September</td>
<td>4054.8</td>
</tr>
<tr>
<td>October</td>
<td>6724.6</td>
</tr>
<tr>
<td>November</td>
<td>10379</td>
</tr>
<tr>
<td>December</td>
<td>4645</td>
</tr>
</tbody>
</table>

HIGHLIGHTS

1. For generating an economic value of Rs.1.9 billion, CTS has generated a total of 79,175.1 kg of tea waste.
2. Further, the company has used more than 600 paper packs, 50 plus photocopy toners amongst other office materials. The material use is continuously monitored and steps have been taken to minimize material wastage and use without compromising the operations.

TARGETS FOR 2015/16

1. It is expected to reduce the use of printing related materials by 5% through reducing wastage and encouraging a paperless office concept.

3.1.2 ENERGY (EN3, EN5, EN6)

Our vision at Dilmah is to be self-sufficient in electrical and heat energy, through renewable options, within approximately the next decade

Overall energy consumption for the Group increased by 3.87% in 2014/15 from 2013/14. This includes an increase in Renewable energy use and a decrease in the use of direct nonrenewable sources, allowing some business units to move towards more sustainable energy sources. Renewable energy consumption has increased by 3% since 2013/14. The Group’s 2014/15 target of a 10% increase has therefore been met.

OVERALL PERFORMANCE

Energy use and sources

For the FY 2014/15, the Dilmah Head Office in Peliyagoda consumed electricity purchased through Ceylon Electricity Board, Lanka Electricity Company and from renewable sources. More than 90% of the electricity consumption accounts for the tea processing and packaging operations whereas the balance energy is consumed for office functions.

EN3 – Direct energy consumption by primary energy source - Dilmah Peliyagoda uses several meters to measure the electricity consumption of the company. The electricity being generated through the Solar Panels
installed in the factory are directly fed into the National Grid and relevant receivable income is deducted from the monthly electricity bill. Therefore, the electricity consumption disclosed as 3,142 Mwh is the total consumption of the factory (Table 3).

**EN5 - Energy saved due to conservation and efficiency improvements** - In line with the energy conservation policy of the company, Dilmah Peliyagoda carried out several activities such as replacing existing incandescent lighting with CFL bulbs and LED bulbs with annual savings of approximately 118 MWh of energy. Please see the list of energy saving activities in Table 4.

Table 3: Direct energy consumption by primary energy source

<table>
<thead>
<tr>
<th>METER</th>
<th>CONSUMPTION, KWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTS Factory, First &amp; Fourth Floors of main Building, WH 3 &amp; WH5</td>
<td>1,811,242</td>
</tr>
<tr>
<td>Warehouse 4 Building</td>
<td>592,343</td>
</tr>
<tr>
<td>Second Floor of the Main Building</td>
<td>40,105</td>
</tr>
<tr>
<td>Third Floor of the Main Building</td>
<td>38,149</td>
</tr>
<tr>
<td>Warehouse 2 Building</td>
<td>621,059</td>
</tr>
<tr>
<td>Female Workers Rest Room</td>
<td>38,745</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,141,643</strong></td>
</tr>
</tbody>
</table>

Table 4: Energy saved due to conservation and efficiency improvements

<table>
<thead>
<tr>
<th>ENERGY SAVING ACTIVITY</th>
<th>NO. OF UNITS REPLACED</th>
<th>ENERGY SAVING, kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replaced 40W incandescent bulbs at WH1 with 11W CFL (Wash rooms in CTS Building)</td>
<td>8</td>
<td>232</td>
</tr>
<tr>
<td>Replaced 250W High-bay lamps (Ground lights) by 85W CFL (Completed 5 Nos out of 18)</td>
<td>8</td>
<td>825</td>
</tr>
<tr>
<td>Replaced WH4 High bay light 250w Sodium Vapour by 80W CFL (13 nos. out of 25)</td>
<td>13</td>
<td>2,210</td>
</tr>
<tr>
<td>WH4 05 Nos. Security Light 250W Mercury will be replaced with 80W CFL.</td>
<td>6</td>
<td>850</td>
</tr>
<tr>
<td>Replaced Garden Security Light 250W Mercury by 80 W CFL (4 Nos. out of 8Nos).</td>
<td>4</td>
<td>660</td>
</tr>
<tr>
<td>Replaced WH2 1st Floor 400W Mercury with 85W CFL (19 replaced out of 26)</td>
<td>19</td>
<td>5,985</td>
</tr>
<tr>
<td>Install power factor correction capacitor bank at WH1 3rd Floor</td>
<td>1 Unit</td>
<td>Not calculated</td>
</tr>
<tr>
<td>Savings from change in Balast in Flourcent. (Replaced magnetic balast with electronic balast. Magnetic balast running current 600mA, electronic balast running current 200mA)</td>
<td>700</td>
<td>64205</td>
</tr>
</tbody>
</table>

**EN6 - Initiatives to provide energy** - A result of these initiatives is the efficient or renewable energy based products and services, and reductions in energy requirements.

In 2013/14, Dilmah invested in the largest privately owned solar panel in Sri Lanka by installing 100 kw solar panel unit within its Peliyagoda premises. Figure 1 provides information on our energy generation through renewable sources. The net metering system has been used to waive off a relevant fraction from the electricity bill. The income receivable was used to generate units from the national grid. Investing in renewable energy is of prime concern in order to increase the fraction of renewable energy for our operations. This is in line with the previous year’s target to increase the fraction of...
renewable energy for our core operations and will reduce our dependency on grid power and lead to reductions in the current electricity tariff rates.

On the supply side plans are underway to reduce emissions from 1000 tons to 450 tons through planned renewable energy projects.

HIGHLIGHTS

1. During the Financial Year 2014/15, Dilmah Peliyagoda consumed 3,142 MWhr of electricity for core production operations as well as for auxiliary functions. (Table 3)
2. With the energy conservation measures implemented during the FY 2014/15, approximately 120 MWh were saved, with annual saving of SLR 1.35 million.
3. Awareness programmes and other measures to increase the staff awareness on energy conservation have been continued from the previous year.

Figure 1: Solar Energy Generation, MWh

RENEWABLE ENERGY – HYDROPOWER GENERATION

Dilmah owned estates have developed mini hydropower plants up to capacity of 1 MW at its various locations of Kahawatte Plantation properties in Ratnapura and Pelmadulla regions. These help to reduce the greenhouse gas emissions helping to address global warming issues. Whilst enhancing the renewable energy potential of the estates, Dilmah is working with the Sri Lanka Carbon Fund in a Hydropower bundle project, to facilitate the reduction of GHG emissions by quantification, validation, registration and verification resulting from renewable energy, energy efficiency and carbon sequestration projects.

FUEL WOOD AND HEAT ENERGY

Heat and steam are major requirements in any tea operation. Firewood stocks are increased to assist in controlling moisture content and combustion efficiency. We have designed few programs to enhance the energy use efficiency at tea factory levels. In the Black Tea Factories, we continue to replace our older less efficient boilers while new more efficient boilers and switching from the traditional practices of firewood to other alternatives which are more efficient and effective. Tea estates have shown small incremental reduction in overall usage, although per unit is slightly down. Despite a number of initiatives, fluctuating crop levels impacted negatively on factory efficiencies.

TARGETS FOR 2015/2016

• Reduce energy use of the Dilmah, Peliyagoda facility by 3%, through further improvement of machine efficiency and reduction of energy waste
• Installation of 150 kva solar panel system at the Warehouse 4 of the Peliyagoda Complex. As Part of the strategy for sustainability, we are planning to implement a Roof Top Solar Panel System in our Warehouse at Peliyagoda with a further reduction in grid electricity consumption by 4.5%
• Increase the fraction of renewable energy through hydropower at tea estates. Increase expected renewable energy usage by a further 2% in the next financial year
• Increase the fraction of renewable energy through hydropower at tea estates and solar power generation at MJFCF Centre at Moratuwa. The expected increase of renewable energy in comparison to total use would be 2%

3.1.3 WASTE (EN 21, EN 22)

Indicator EN 21 - Total water discharge by quality and destination.

Dilmah Peliyagoda generates a total quantity of waste water of 60 m3/day. This total quantity is treated and the final quality of the treated water is well within the Central Environmental Authority stipulated criteria for re-use or discharge. The treated water is used for toilet flushing and gardening. Whenever there is excess of total recycled water, it is discharged into the Kelani river in keeping with discharge standards.

WASTE

There are multiple of waste categories generated as a result of the operation of Dilmah Peliyagoda. Key waste types include refuse tea, paper, polythene and composite polythene, perishable waste, wooden and plastic pellets, etc. In line with the international waste management hierarchy, waste reduction is of key concern. As an ISO 14001 certified organization, CTS has taken actions to manage these waste types in a responsible manner. The introduction of several procedures such as minimal paper use and restrictions in printing, have been introduced with this objective in addition to regular awareness raising.
programmes. Waste that is generated at the factory is monitored for the quantity generated and segregated at the source. Each waste type is disposed of or re-used in a responsible and environmentally friendly manner.

Indicator EN22 Total weight of waste by type and disposal method

Following waste types have been generated within the Peliyagoda facility and all categories have been disposed of responsibly.

As much as possible, waste generation was reduced through reduced use of materials and optimizing use. Reuse of waste generated and putting it to better/equal use were discerned as the second best option in the process of waste management and streamlining. Within this objective, much of the use of biodegradable and of certain types of non-biodegradable wastes were reduced. Paper/cardboard, non-composite polythene, glass, e-waste have been sent out for recycling and material recovery.

Material that could be recycled were sent to Holcim Lanka, Geocycle facility for energy recovery.

In the process of managing our waste in an environmentally sound manner by reducing resource consumption and minimizing pollution, the following activities were accorded particular focus:

- Identification of waste types being generated by the operations of the organization
- Quantification of each type of waste generated per unit time

In line with the waste management hierarchy of reduce, reuse, recycle, energy recovery and treatment and disposal, environmentally accepted waste management mechanisms were adopted for each waste component. No targets were identified for waste reduction during 2014/15. However, commitment of the management and employees for reducing waste came into forefront. Regular awareness programmes for employees were carried out, together with providing employees with guidance and monitoring to minimize rejected products and documents. Improved production planning was undertaken incorporating a waste minimizing strategy into production during machine change over and product change over. Minimized paper use was promoted.

2014/15 HIGHLIGHTS

- All waste generated in the organization were segregated at the source of generation and quantified
- All waste generated were disposed of in an environmentally accepted manner

For the next FY of 2014/15, the following targets have been set.

- Reduction of generation of waste tea by 3%
- Reduction of generation of packaging waste by 2%
- Reduction of paper use by 10% of the use of FY 2014/15

Figure 2: Waste Management Mechanisms

3.1.4 WATER (EN8, EN10)

The key uses of water for the operation in CTS are for general use of employees for washing and drinking, cleaning of equipment/machinery and gardening. The core operation of CTS, which is tea blending and packaging does not require water, thus the use is minimal. The organization uses water extracted from two deep wells and supplied by National Water Supply and Drainage Board. Although water use is negligible in comparison to other industries in this scale of operations, a concerted effort is made to conserve water use and water resources in terms of quality and quantity. For this, following course of actions have been adopted.

1. Monitoring of water use by the organization
2. Expansion of the Wastewater Treatment facility and increasing the fraction of recycled water. The current water treatment plant has the capacity of treating 80m3 of wastewater per day.
3. Use of sensor taps for Staff Canteen which has a general head count of 400 at a time.
4. Monitoring the quality of water in tea Estates owned by the MJF Group (in which CTS is a member), where we source our tea. The objective of the research was to investigate whether the fertilizer
and pesticide use in tea estates have a negative impact on the water resources in the neighbourhood. The research carried out in collaboration with the Zoology Department of the University of Colombo that concluded in 2014 established the fact that none of the water resources owned by MJF Group – Kahawatte Plantations Limited, KPL has been contaminated adversely by the chemical fertilizer and pesticide use for tea plantations. This finding of the research reflects the responsible management of natural resources for economic benefits by MJF Group.

5. Research on biochar applications within tea plantations is gaining prominence at Dilmah Conservation, which is the conservation and sustainability arm of the MJF Group. Biochar, which is a soil amendment reduces the use of water and fertilizer for crops. For tea, improved soil water retention by biochar has drastically reduced the crop water requirement.

INDICATOR EN8 - TOTAL WATER WITHDRAWAL BY SOURCE.

Water is used for employee sanitary functions and equipment washing, in addition to stores cleaning functions. Freshwater extracted from deep wells and NWSDB are only used for washing and drinking purposes. The total water use by NWSDB is 22,723 m³.

Table 5: The distribution of usage

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>USE (m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main building</td>
<td>12,345</td>
</tr>
<tr>
<td>WH4</td>
<td>3,834</td>
</tr>
<tr>
<td>Male Workers’ canteen</td>
<td>919</td>
</tr>
<tr>
<td>Female Canteen 1</td>
<td>754</td>
</tr>
<tr>
<td>Female canteen 2</td>
<td>4,871</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,723</strong></td>
</tr>
</tbody>
</table>

INDICATOR EN10 - PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED.

Recycled wastewater is used for toilet flushing and gardening. It has been estimated that a total volume of 60m³ of recycled water is generated within the CTS premise daily and this quantity is well sufficient for above uses of the recycled water.

KEY HIGHLIGHTS

1. Water use is monitored at CTS and several measures including raising awareness of employees, and other water conservation measures such as sensor taps are being used to reduce the water use.
2. Recycled water is used for toilet flushing and gardening
3. Research is carried to investigate the environmental impacts of MJF Group on water resources to improve the water quality and reduce to water quantity being used.

TARGETS FOR NEXT FY 2015/16

1. It has been planned to expand the bio-char applications in tea plantations in order to reduce the crop water requirement and save soil water.
2. In the CTS premises at Peliyagoda, awareness sessions on water conservation and monitoring of water use will be continued so that waste of water will be reduced.

3.1.5 CARBON – EN 16, EN 18

The annual carbon footprint of the operations of the Dilmah Peliyagoda premises based on the energy sources and other activities was calculated, and the necessary measures for implementation towards becoming a carbon neutral facility by 2017 were identified. A baseline inventory preformed at Dilmah in 2012 shows that its carbon footprint in tons of carbon dioxide equivalents (tCO₂e) was a total of 2,480.39 tons for the Peliyagoda premises.

Accordingly, the Green House Gas(GHG) inventory for the Peliyagoda premises was verified done according to the following:

- IPCC (1997 a,b,c; 2006) revised guidelines
- ISO 14064-1 (ISO, 2009)
- GHG protocol developed by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) (WRI/WBCSD, 2004).

GHG emissions from the factory premises were estimated considering 2012 as the base year. Energy (input) sources of the factory and other sources of GHG emissions including fugitive emissions and emissions from regular operations were considered.

Reducing emissions are being considered based on process optimization, energy efficiency improvement, increasing the amount of renewable energy usage and offsetting the remaining emissions through agro-forestry.

A comprehensive plan has been developed towards operationalizing the above.

Strategy No 1: Establish a policy that all future construction will be carried out according to the National
Green Building Council practices and guidelines.

**Strategy No 2:** Adopt an energy efficient appliance purchasing policy and follow a green procurement policy for purchases wherever possible.

**Strategy No 3:** Establish a policy for offsetting all GHG emissions generated by travel which are paid by Dilmah.

**Strategy No 4:** Establish a resource optimization program to reduce or eliminate waste generation during all types of operations and activities of the company.

In addition to these strategies, several mitigation actions are planned. These mitigation actions include:

**Mitigation Action 1:** Energy Efficiency Improvement in plant operations

**Mitigation Action 2:** Energy Efficiency improvement in Transportation

**Mitigation Action 3:** Substitution of fossil energy sources by Renewable Energy sources

**Mitigation Action 4:** Recycling and waste

**Mitigation Action 5:** Other Practices

The remaining GHG emissions will be offset by using couple of offset strategies

**Offset strategy 1:** Reforestation or afforestation

**Offset Strategy 2:** Purchase of carbon credits in the voluntary market

Underutilized land will be chosen in suitable blocks to be converted to forest land. Depending on the nature of its former status, afforestation or reforestation projects will be initiated to sequester 550 tons of emissions.

**2014/15 HIGHLIGHTS**

1. Base Carbon footprint was estimated for the Calendar year 2012 using IPCC guidelines 2007, ISO 14064-1: 2009 and WBCSD 2004 protocols. The estimated figure was 2,059 tons of CO₂e.
2. Based on the above, a Carbon Neutral Plan was drafted for Dilmah operations, to be achieved in 2017.

**TARGETS TO BE ACHIEVED IN 2015/16**

- Reductions in carbon emissions through increased fraction of renewable energy, energy demand management and enhanced energy use efficiency
- Plan of Action for Mitigation strategies 1-5 above

**THE WONDROUS TREASURES OF THE SEA**

Whenever biodiversity is discussed, the sea is often neglected. Yet it could easily be the richest part of the biosphere. Of the 1.5 million species identified to date by science, 80 per cent are terrestrial. But this figure is misleading as it could merely reflect the amount of work done by scientists on land which is easier to navigate for us humans who are land bound creatures.

As such, Dilmah Conservation has taken the initiative to protect fragile marine ecosystems and their diverse fauna and flora. The end of the conflict in the country, which primarily impacted the North and East of Sri Lanka, has opened up both, opportunities and threats to the environment and its ecology in these areas. Over the past thirty years, coastal regions in the East have been relatively untouched by development, and the marine environment has seen little or no human exploitation. This is the reason why we are working to protect some of Sri Lanka’s pristine coral reefs and carry out an information dissemination campaign targeting school children in the North on the importance of conserving the globally threatened Dugong.

**3.1.6 BIODIVERSITY – EN 11, EN 12, EN 13**

Dilmah is committed to making a positive contribution to environmental recovery and resilience and as the Group aims to have ‘zero net impact’ as a minimum environmental standard. Enhancing the contribution of farming systems is an essential part of biodiversity conservation, and it is recognized that the tea industry does benefit from well conserved ecosystems.

Biodiversity refers to all levels of life on earth, including genes, ecosystems and the ecosystem processes that sustain all life. The conservation of biodiversity includes sustaining carbon storage, climate regulation and water flow, provision of clean water and maintenance of soil fertility. Biodiversity provides important ecosystem services to agricultural land. Dilmah has commissioned biodiversity studies on all their tea estates. The studies
were carried out to collect baseline information to enable us to assess population numbers, our impact and to formulate biodiversity and habitat management plans, as needed, outlining strategies for the protection and conservation of biodiversity on each estate.

To further conservation action, the management has entered into a partnership with IUCN Sri Lanka to develop a management plan for the natural areas that lie within the tea estates owned and managed by Dilmah and to improve the overall ecological integrity and watershed services of their properties. As a part of this endeavor, biodiversity assessments have been carried out on a number of selected teas estates. Further to these, Dilmah Conservation has realized and come to respect the idea of sustainable management of these estates with a view to protect and conserve the biodiversity and natural wealth with more progressive assistance of IUCN.

Hunuwela Estate is located between the towns, Opanayake and Pelmadulla, in the Sabaragamuwa Province, at the border between the wet zone mid country and the intermediate zone of Sri Lanka, where the altitude ranges between 300 m and 900 m. The estate spans a total extent of 991.50 ha, and is comprised of five divisions. Of these divisions, hunuwela North, Division C, Division 2, Division 3 and Division 4, are situated in the foot hills of the hunuwela-Kabaragala mountain range (Asamana Kanda and Ravana Kapolla). Many of the streams that originate from the Asamana Kanda mountain range flow through the estate. The remaining two divisions, Dandeniya and Dandava, are situated away from this cluster.

Rubber and tea are the dominant plantation crops in the area, while cinnamon is also cultivated at a small scale. The estate is located between the precipitous forested Hunuwela-Kabaragala mountain range on the east, and a low-lying village landscape at the bottom of the valley. The Hunuwela-Kabaragala mountain range is dominated by rainforests, and acts as a watershed for the numerous stream arteries descending from Asamana Kanda and the RavanaKapolla hills. Scattered semi-wild home gardens are located at the lower elevations of the area, just before the forest meets the plantation land. Forest dwellers carry out their traditional forest-based industries and livelihoods in these forests, especially kithul-tapping.

The estate is situated on sloping lands, and the entire area falls under the wet zone climatic region, where the rainfall is distinctly seasonal with two rainfall peaks in the year. The southwest monsoon rains occur from May to September, while the northeast monsoon occurs from December to February. There are also two distinct inter-monsoon periods. During these periods - March to April and October to November - the rains are due primarily to convectional activity. Agro-ecologically, the area falls under the WM1 Zone (wet zone mid country) and the 75 percent expectancy of annual rainfall is 3, 125 mm. The expected dry months are January and February (IUCN Sri Lanka, 2012).

Initial surveys indicate that the natural and semi-natural areas of Hunuwela Estate function as an important repository of Sri Lanka’s biodiversity. A total of 282 floral species, including 21 endemic and 15 nationally or globally threatened species, and 214 faunal species, including 37 endemics and 13 species that are listed as nationally threatened, were recorded during the five day survey. A further 24 species listed as nationally Near Threatened (NT) and one species considered to be Data Deficient (DD) were recorded within the Hunuwela estate (IUCN SL and MENR, 2007; IUCN Sri Lanka, 2012).

One of the most significant findings of the initial survey is that two globally, and nationally, Endangered (EN) dragonfly species, the Rivulet tiger (Gomphidiapearsoni), and Wijaya’s scissortail (Microgomphuswijiya) , were found in the stream habitats of Divisions 2 and 4. Given that both species are threatened with extinction, conservation actions are needed urgently to preserve these populations, and their habitats. As these species are both associated with the stream habitats of these divisions, habitat restoration activities, the creation of awareness and the sustainable integrated management of the watershed are critical to their survival and conservation. As such, through these activities it will be possible to work towards the conservation of these Endangered (EN) dragonfly species, and their habitat.

A number of other nationally threatened species are also associated with these stream habitats of these two divisions of Hunuwela Estate. Therefore, conservation actions that aim to ensure the survival of these two dragonfly species, and the maintenance of their habitat, will ultimately benefit many other species as well. While many species that are threatened and endemic to Sri Lanka have been recorded in these habitats, the records of several species at Hunuwela Estate represent the very first time that they have been recorded in this region. As such, the conservation of the natural and semi-natural habitats of Hunuwela Estate is important in the long-term conservation of the biodiversity of Sri Lanka, overall. Similarly, the sustainable management
and maintenance of these habitats will enhance the watershed functions of the area, which is associated with the Kalu Ganga river system.

As such, this conservation initiative provides an ideal opportunity for the development of a model conservation programme that can be emulated and replicated by other like-minded plantations and estates.

Based on the rapid survey, and inputs received from the plantation management, the following will be undertaken:

1. Undertake further studies on the ecological integrity with a special focus on the habitats of the Rivulet tiger (Gomphidia pearsoni) and Wijaya’s scissortail (Microgompus wijaya) and watershed functions of the natural and semi-natural areas of the Divisions 2 and 4 of Hunuwela Estate with the identification of critical areas for watershed management.

2. Identification of measures for maintaining and improving the ecological integrity of the selected sensitive areas. This includes water and soil conservation measures, planting of trees as part of ecological restoration work, establishment of shade plants and measures for improving the habitat quality of stream-side vegetation and wetlands on the estate.

3. Development of habitat and watershed management programmes with the involvement of the staff of the estate, and the senior management of Kahawatta Plantations and Dilmah Conservation.

4. Preparation of outreach materials (posters and brochures) on the ecological (with a focus on endemic and threatened species) and hydrological features and values of the estate in the local languages, and implementation of awareness programmes targeted at estate staff, plantation workers, related water users and school children of the area.

The main elements of this initiative are as follows:

a. Based on available information and additional field surveys, the critical areas for intervention will be identified under the overall framework of integrated watershed management.

b. Ecosystem and habitat-specific inventorying of fauna and flora will be conducted using standard scientific techniques.

c. Water quality sampling will be carried out at critical points to establish baseline water quality standards for natural streams. The water resources of the estate, will also be identified and mapped.

d. The natural and semi-natural areas of the selected critical stream at Hunuwela Estate will be studied to identify areas where enrichment planting is required to enhance watershed services.

e. Appropriate native species of plants will be identified, these identified plants will be sourced, and nursery management and field establishment programmes will be developed for enrichment planting to enhance the watershed services of the estate.

**COLORFUL NEW TRENDS FROM DILMAH CONSERVATION’S RESEARCH EFFORTS**

**THE UDAWALawe ELEPHANT TRANSIT HOME**

The Elephant Transit Home (ETH) was established in the year 1995, at the Udawalawe National Park, under the custodianship of the Department of Wildlife Conservation, Sri Lanka with the objective of rehabilitating orphaned elephant calves for ultimate release back in to the wild. Without this kind of care, these playful creatures of the wild often die young, unable to survive without the protection of a parent.

The Transit Home, unlike that of other orphanages, is for these animals to return to the jungle, which is their home by birth right. Therefore, they are brought up with minimal human interaction, and are released to the wild once they reach a certain age. This programme is a cutting-edge experiment in cross-species empathy, especially designed to undo the extremes of human impact and cruelty inflicted upon these innocent creatures of the wild. At ETH, elephant calves are cared for around the clock, with dedicated teams of keepers constantly by their side to provide comfort, encouragement and to feed them every three hours. The feeding program begins at 6 am and is repeated every three hours.

Currently, the Elephant Transit Home in Udawalawe, Sri Lanka, supports 28 elephant calves ranging from 1-5 years of age. At their age, milk is the essential and most in-demand food item on their menu. They are fed 8 times a day each day, and they collectively consume a staggering quantity of over 640 litres of milk. The
milk is made by combining dehydrated human infant formula with water. Calves are extremely susceptible to gastrointestinal complications that arise due to bacteria present in water used to prepare their milk. In order to prevent this, water must be boiled to remove any bacterial presence.

Maintenance costs and the cost of milk are the major expenses of this project. Currently, the ETH needs 640 litres of milk every single day to keep the current residents of ETH happy and in good physical condition. Donations from national and international wildlife enthusiasts, by way of infrastructure and buildings, as well as continuous support from a few organisations, help the day-to-day running of the centre. A portion of maintenance costs is funded by the novel Foster Parent Scheme, too.

Mankada Project was established in collaboration with MJF Foundation, and this project is dedicated to promoting the production of community pottery. Dilmah Conservation’s approach involves promoting the production of conservation oriented products, which are to be sold in the proposed souvenir shop. This is aimed at improving the socio-economic status of the local community, providing them with a full-time source of income. Equipment necessary for the production of pottery has been donated by the Foundation group with specific orders for pottery items given by DC.

In addition, this programme will use education as a tool to help the community understand the necessity for coexistence between man and nature in order to reduce the conflict levels that occur between man and beast. It will demonstrate income earning methods by sustainably utilising nature rather than by exploiting it. This will generate a greater understanding of the importance of biodiversity conservation and foster greater respect for it. DC will conduct environmental awareness programmes for these communities, and will include all schools in the vicinity of the Park. The programme will also provide instructions on income generation in an environmentally sustainable manner, with one such project being the manufacture of recycled paper.

The second phase of the programme comes with improvements to facilities within the Udawalawe National Park and an expansion of the Mankada pottery project. This will include the setting up of sales outlets at the Park entrance and at the Elephant Transit Home. In addition, refurbishment of existing infrastructure at ETH will take place to accommodate and to improve the overall visitor experience. This phase will also incorporate special training for the park drivers and guides in order to raise the standard of the services that they provide to visitors.

THE MORATUWA BUTTERFLY GARDEN

The butterfly garden was established at Moratuwa MJF Centre adjoining DCSARC to help conserve these fragile species in a polluted and concrete filled urban environment. The plant nursery associated with the butterfly garden produces species-specific plants to provide a suitable habitat for each species present in the garden. The garden can accommodate a large number of butterflies, with new arrivals being sighted and documented monthly. These butterflies find the environment suitable for breeding thus helping to improve the population of the butterflies.

- This project has introduced various types of plant species which will be used by selected butterfly species to lay their eggs. Butterfly larvae emerging from the eggs, feed on the plants which are species specific. Thus, newly introduced trees and shrubs will increase the survival of butterflies in Moratuwa Centre.
- This site will be an educational centre for school children and university students, and butterflies will add more colour and beauty to the surrounding environment.

Out of the 245 species of butterfly in Sri Lanka, 51 species are present in the Moratuwa butterfly garden.
They can be easily recognized by the diversity of colours. Two leaflets consisting of butterflies and plants found in the garden have been designed. The leaflets depict images, species names (both Sinhala and botanical) and plants associated with these butterflies. Visitors and enthusiasts are welcomed to observe and learn about these unique creatures. New plants are being produced at the plant nursery and can be used to further expand this project. New name boards for the butterfly garden are in the process of being prepared. A poster is in the process of being designed as education material.

WORKING TO CONSERVE OUR MARINE HERITAGE

Dilmah Conservation afforded special attention to enhancing the conservation status of historic shipwreck sites in Sri Lankan waters. Two wrecks located off Kayankerni, namely, the British Sergeant, a merchant vessel that sank after coming under fire when it altered its course to help a carrier in 1942, and SS Lady McCallum, a cargo ship which ran aground in 1926, located off the Kayankerni Reef are also being assessed towards helping protect the unique and diverse ecosystems they host.

DISCOVERY OF UNDERWATER ARCHAEOLOGICAL SITE IN MANNAR

Chariot Wheel: In May 2014, the Dilmah Conservation dive team encountered a number of manmade objects including an unusual remnant identified to be a chariot wheel made of a durable metal. Preliminary observations, including the considerable soft coral cover, indicate that these relics scattered on the ocean bed could be of substantial value. Adjacent coastal towns such as Mannar have been of relevance in the past, especially as a noteworthy centre of pearl fishing recognised as far back as the 2nd century CE in the Greco Roman Periplus of the Erythraen Sea, which details navigation instructions to prominent ports in the African and Asian continents. This unearthing could mark momentous archeological possibilities. The site was further explored by a team of specialists from Dilmah Conservation and the Central Cultural Fund towards assessing its historical significance, and testing of materials found is in progress.

Boulder Garden: On a second expedition to further authenticate the site of the chariot wheel, which is now assumed to be host to more than one ship wreck, a team comprising of marine archaeologist Rukshan Jayawardene, marine historian Prasanna Weerakkody and Asanka Abayakoon from Dilmah Conservation, discovered another unexplored underwater site 10km south of the location of the chariot wheel.

Adjacent port towns such as Mannar and Kudiramalai were of considerable historical importance as vibrant centres for international trade famed for pearl fishing and horse trading. The history of this coastline, which goes as far back as 6th Century BC to the presence of the Naga Kingdom, and the exploits of its erstwhile rulers, is steeped in legend. Notable among these, is the warrior Queen Alli Arasani who is said to have ruled North-Western Sri Lanka over two-thousand years ago. The legendary queen of Kudiramalai is said to have traded local pearls for Arabian horses.

The Dilmah Conservation team located what was dubbed the ‘boulder garden of Alli Rani’. Here, hundreds of
manmade boulders engraved with distinctive grooves were arranged in a geometric pattern on the ocean floor, potentially marking the site of an archaeological edifice which has now been engulfed by the sea. While local legends point to Queen Alli, whose reign was also believed to be marked by a natural disaster that resulted in portions of the coastline being submerged by the ocean, further excavation and analysis is required to determine the veracity of these claims.

The preliminary assessment of the hand-hewn boulders and their curious concentric arrangement indicate that this site could belong to an ancient period of Sri Lankan history and could provide significant insight into the history of the North-Western region and even international maritime trade at large.

Dilmah Conservation will continue to support excavations and further study of these sites in order to help determine their historical and archaeological relevance.

Developing and Implementing an Effective Human-elephant Conflict Mitigation and Elephant Management Model in the Trincomalee District

Sri Lanka holds almost 15% of the global Asian elephant population at a density of almost 10 times that of any other country. Furthermore, the subspecies located in Sri Lanka (Elephas maximus maximus) is unique to the island. Of the 13 countries with Asian elephants, Sri Lanka has the third highest human population density. It is therefore not a surprise that these two factors have contributed towards Sri Lanka being ranked at the top when it comes to Human Elephant Conflict.

The Trincomalee District has only a few DWC protected areas (however there are extensive forests under the purview of the Forestry Department). The civil war took a toll on the environment with large scale deforestation activities being done due to infrastructure being set in place and also due to the war which caused abandoned settlements and cultivations to become annexed to existing elephant habitats. The current human elephant conflict in the region is partly due to the resettlement activities that are taking place and unless effective steps are taken to address it, this could become an issue which will see casualties amongst both the elephants and humans.

The proposed plan that was developed in partnership with the Centre for Conservation Research (CCR) is an adaptive approach which will look at the possibility of curbing this issue using a scientific approach which will ensure the sustainability of the outcomes.

- Collection of data regarding habitat and ranging patterns of elephants in order to assess the best locations to construct electric Fences to protect settlements and home gardens, and also construct seasonal electric fences to protect paddy fields.
- Assessing how the data collected on the habitat and ranging pattern could be used for tourism purposes.

The CCR will be collaring of four elephants and collecting data on their movements.

It is anticipated that weekly maps of home ranges and movement patterns of collared elephants which will be uploaded to a website linked to DC and used in awareness programmes, along with regular updates on the elephants which will be uploaded to a website linked to DC.

The CCR will also provide elaborate information about the movements of each elephant alongside information about the locality which will provide a certain amount of context to the movements observed.

3.2 ECONOMIC CONTRIBUTION (EC1, EC3, EC8)

Dilmah is committed to addressing social, political and environmental issues by demonstrating that it is more financially rewarding to be sustainable. In seeking to be financially profitable, our business understands that we need to take an active leadership role dealing with sustainability issues; we need to share knowledge and engage with the communities in which we operate. This will benefit our suppliers, our communities and society in general.

In seeking to be financially profitable, our business understands that we need to take an active leadership role in dealing with sustainability issues. We need to share knowledge and engage with the communities within which we operate.

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

Investment over many years has resulted in significant economic contributions to the country and has created direct employment for thousands and indirect employment for many more. In the year ending 31 March 2015, Company generated Rs. 1.9 billion in economic value, of which the majority was distributed through the course of our business to our employees, shareholders, suppliers and the government as well as to local communities through our sustainability activities.
We look for opportunities to work collaboratively with smallholders in many markets and our projects involve a large number of small holders. We help provide them with an income so they can support their dependents and contribute to the development of the communities in which they live and where we operate. In many cases, we assist the farmers with marketing activities, logistical support and essential farming expertise and good agricultural practice.

ECONOMIC PERFORMANCE

Indicator EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

Table 6: Direct economic value generated and distributed

<table>
<thead>
<tr>
<th>DISTRIBUTION CATEGORY</th>
<th>RS. 000'S</th>
</tr>
</thead>
<tbody>
<tr>
<td>To employees</td>
<td>678,030</td>
</tr>
<tr>
<td>To capital providers</td>
<td>500,000</td>
</tr>
<tr>
<td>To government</td>
<td>143,950</td>
</tr>
<tr>
<td>To lenders</td>
<td>162</td>
</tr>
<tr>
<td>Donations &amp; other community Investments</td>
<td>138,566</td>
</tr>
<tr>
<td>To business expansion &amp; Growth</td>
<td>485,130</td>
</tr>
</tbody>
</table>

Indicator 2 – EC3 Coverage of the organization’s defined benefit plan obligations.

Table 7: Benefit Plan Obligations

<table>
<thead>
<tr>
<th>As at 31st March 2014</th>
<th>RS. 000'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Cost</td>
<td>10,704</td>
</tr>
<tr>
<td>Current Service Cost</td>
<td>10,731</td>
</tr>
<tr>
<td>Actuarial Gain</td>
<td>(4,420)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(5,951)</td>
</tr>
<tr>
<td>As at 31st March 2015</td>
<td>118,109</td>
</tr>
</tbody>
</table>

INDIRECT ECONOMIC IMPACTS

Indicator EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.

A total of Rs.60 million was spent on indirect economic impact projects such as Climate Change Research Station and environmental conservation projects. The following is the general allocation for total of Rs.60 million among different sectors.

Table 8: The General Allocation

<table>
<thead>
<tr>
<th>GENERAL ALLOCATION</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of Climate Change research Station</td>
<td>25%</td>
</tr>
<tr>
<td>Biodiversity Conservation</td>
<td>20%</td>
</tr>
<tr>
<td>Education and environmental awareness</td>
<td>40%</td>
</tr>
<tr>
<td>Heritage protection</td>
<td>15%</td>
</tr>
</tbody>
</table>

3.3 OUR PEOPLE

POLICY

Our policy remains same to be that of an employer of choice by providing a safe, secure and non-discriminatory working environment for the workers, whose rights are fully safeguarded through legitimate entitlements, wider opportunities and space for creativity. All our employees enjoy the benefit of having equal opportunity to realize their full potential.

EMPLOYMENT

Indicator LA1 Total workforce by employment type employment contract, and region, broken down by gender.

EMPLOYEES:

Last year we reported our work force Dilmah facility as 1,069, but currently we have 1,200 people work in Dilmah 12 key Departments. Our work force is the driving force behind the success of Dilmah. Our
employees continue to demonstrate their commitment and determination to increase productivity, growth and operational efficiency.

Table 9: Workforce by Gender

<table>
<thead>
<tr>
<th></th>
<th>MALE</th>
<th>FEMALE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>505</td>
<td>580</td>
<td>1085</td>
</tr>
</tbody>
</table>

Although the female staff is reduced marginally from that of the previous year, we still maintain a strong balance between both the genders.

Employees of the Dilmah facility consist of:

- Board of Directors
- Managers and Executives
- Clerical and Allied
- Workers

Table 10: Employment Category

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NO. OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman &amp; Directors</td>
<td>05</td>
</tr>
<tr>
<td>Managers &amp; Executives</td>
<td>157</td>
</tr>
<tr>
<td>Clerical &amp; Allied</td>
<td>167</td>
</tr>
<tr>
<td>Workers - Permanent</td>
<td>522</td>
</tr>
<tr>
<td>Workers - Casual Production</td>
<td>226</td>
</tr>
<tr>
<td>Casual Others</td>
<td>07</td>
</tr>
<tr>
<td>Total</td>
<td>1,085</td>
</tr>
</tbody>
</table>

BENEFITS PROVIDED TO FULL TIME EMPLOYEES - LA2

Recognition of Long Service of Employees

Dilmah continues to recognize the employees with long service and continued to felicitate them on reaching service periods of 10, 20 and 25 years with cash awards and gold sovereigns. During this reporting period, we have had, 3 recipients of awards for reaching 25 years of service, another 13 recipients reaching 20 years and 17 recipients with ten years. They are almost equally distributed in all the key Departments showing that all key Departments are adopting attractive employee facilities and opportunities. Compared to last year, there is an addition of the category for 25 years. Three recipients of awards under this category show their immense commitment to the growth of the business.

In terms of the distribution of the staff with long recognized services among the key Departments, we find that all the Departments have one or more than one staff member having accomplished a long service under one or more of the above categories.

Figure 3: Staff Recognised for long service by Departments

Indicatory LA3: Benefits provided to full time employees

BENEFITS PROVIDED TO FULL TIME EMPLOYEES

Schemes that benefit our employees have been continued throughout. These include provision of interest free loans to assist employees to buy land or build/renovate their homes, education assistance, support for self-employment projects for family members, assistance in times of natural disasters such as floods, key money for renting accommodation, obtaining electricity and water connections to name a few

Employees below a specific income level can avail themselves of a subsidized food parcel of dry rations such
as milk powder which is made available on a monthly basis. On average 200, employees will avail themselves of this benefit each month. There had not been any change in this program.

Dilmah offer, scholarships for the children of the employees. This program is also continued based on the performance at the O Level or A Level examination by the children. A total of (14) new scholarship applications and (4) ongoing applications were processed for the year 2015. Under the program, students received school books and school uniforms on 01st January 2015.

**Indicator LA15**

**RECOGNITION OF LONG SERVICE**

Long serving employees were recognized and felicitated on reaching service periods of 10, 20 and 25 years with cash awards and gold sovereigns.

Table 11: Recognition of Long Service

<table>
<thead>
<tr>
<th>AWARD CATEGORY</th>
<th>NUMBER OF RECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years</td>
<td>17</td>
</tr>
<tr>
<td>20 years</td>
<td>13</td>
</tr>
<tr>
<td>25 years</td>
<td>03</td>
</tr>
</tbody>
</table>

25 Years - 3 recipients, 20 Years - 13 recipients 10 Years -17 recipients,

Production - 4 recipients, Engineering - 5 recipients, Transport - 6 recipients, Tea Buying - 2 recipients, Finance - 2 recipients, Security - 4 recipients, Material Stores - 2 recipients Marketing - 4 recipients, IT- 1 recipient, Human Resources - 1 recipient, Quality Assurance - 1 recipient, Tea Stores – 01

Table 12: Recognition of long service by Department

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>NUMBER OF RECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>04</td>
</tr>
<tr>
<td>Engineering</td>
<td>05</td>
</tr>
<tr>
<td>Transport</td>
<td>06</td>
</tr>
<tr>
<td>Tea Buying</td>
<td>02</td>
</tr>
<tr>
<td>Finance</td>
<td>02</td>
</tr>
<tr>
<td>Security</td>
<td>04</td>
</tr>
</tbody>
</table>

**EMPLOYEE RELATIONS AND COMMUNICATION**

Managers and those in Supervisory positions are encouraged to play and active role in leading those reporting to them. There is regular communication with Department Heads

**Indicator: LA6**

**EMPLOYEE HEALTH AND SAFETY**

Health and Safety are key areas and laid down procedures and practices are followed to ensure the safety and wellbeing of our employees.

- All workers undergo a health screening once a year at the minimum. The services of a doctor are available at the Medical Centre located at the company premises, and any employee may avail of this service. Prescribed medicines are also provide free of charge and an Open Door policy is practiced in the organization.

- The organization’s Environment, Health & Safety Policy is displayed at prominent locations.
- Working conditions are maintained taking into consideration the standards set in the factories’ Ordinance’
- A Health & Safety Committee functions and meets to discuss Health & Safety issues and concerns.
- The Company has an individual who functions as the ‘Safety Officer’
- Personal Protective Equipment is provided as required and is free of charge
- Trained First Aid personnel are available within the facility

**SPORTS DAY**

A sports day for all MJF employees was held in September 2014 where 04 teams were appointed with a mix of employees in each team, namely Yatawatte Gladiators, Medawatte Dragons, Udawatte Eagles and Ranwatte Royals. Each member received a t-shirt, track bottom and cap. There were outdoor and indoor games such as Track & Field: Men/Women, 100m,200m,400m,4*100m,4*200m,4*400m,800m,1500m,Walking ,and Mixed Relay, Age

Tap Rugby : 50 Employees; Cricket: Men/Women: 250 Employees; Volleyball: Men/Women : 60 Employees; Net Ball – 80 Employees; Tug of war: Men/Women: 100 Employees; Swimming: Men/Women : 60 Employees; Carrom: Men/Women: Single, Double and Mixed: 100 Employees; Table Tennis: Men/Women: Single, Double and Mixed: 60 Employees; Badminton: Men/Women: Single, Double and Mixed: 60 Employees

At the final day held on 21st September at the NCC, around 1200 employees participated.

Indicator LA 8

EMERGENCY PREPAREDNESS

• The company has laid down procedures and practices to ensure the safety of employees and property in emergency situations.
• There are monthly training sessions for the staff of the Security Department of fire drills and on other emergencies. Once in six months (biannually), there is a mock fire drill for all the employees of the Peliyagoda premise. So far, no incident in relation to emergencies have occurred in the factory.

Indicator LA9 – Health and safety topics covered in formal agreements with trade unions

• CTS abides by the safety and health guidelines stipulated by the McDonalds food chain through the agreement signed with them. These guidelines and code of conduct have been included. There is an annual McDonalds Safety and Health Audit, conducted by their auditors.

TRAINING AND EDUCATION

Indicators LA10, LA11 Training and Development

Employees at all levels undergo Induction consequent to being recruited into the company. Thereafter, they receive extensive on-the-job training which is documented. At the point of confirmation, this training record is referred to.

Consequently, training needs are arrived at during the annual appraisal discussion. These Training Needs form the Training Plan which is executed over the next Financial Year. In addition to this, employees are trained when there is a process change or introduction of any new process or initiative.

A total of 105 Training Programmes(Internal & External) were conducted during the Financial Year

Indicators LA 13 - Percentage of employees receiving regular performance and career development reviews, by gender.

PERFORMANCE MANAGEMENT

Employee performance is systematically assessed beginning with an evaluation every quarter during the probationary period. Consequent to confirmation, employees are appraised annually on their work performance and behaviour. Salary increments are thereafter based on the performance review ratings.

3.4 SOCIETY

Dilmah’s corporate social responsibility towards the society, has been building from strength to strength throughout. Funds have been diverted continuously to both MJFCF and DC to improve the quality of life of the people and environment. MJF Charitable Foundation was established to ensure that humanitarian assistance that the company renders in the course of doing business, reaches the most deserving segment of the society. The necessity to be ethical was born out of a sincere belief in the importance of caring for those less privileged in our community and sharing with them. The MJFCF efforts are focused on long term, sustainable interventions. The result has been projects across the nation, benefiting individuals and communities through education, vocational training, livelihood and empowerment, and technology transfer, specifically addressing the most deserving and impoverished districts and regions of Sri Lanka. This approach has proven to be effective in preserving the sustainability of programmes, allowing beneficiaries to take ownership more easily and assume responsibility for their development. MJFCF is also ranked amongst the largest private charitable foundations in Asia with a minimum 10% of the pre-tax profits of the Dilmah Tea and allied companies funding its operations.
CARING FOR CHILDREN FROM UNDERPRIVILEGED BACKGROUNDS (S01)

MJF KIDS PROGRAMME

The new initiatives introduced to the Kids programme in 2012 were further strengthened and improved through 2014 at the Moratuwa and Peliyagoda Centres. The programme supports nearly 1,000 kids. The holistic development initiative by focusing more attention on extracurricular activities such as carpentry, cookery, home gardening, sign language, music and dance, scouting and guiding, community social responsibility and awareness on environmental conservation provides greater opportunities for the kids to look forward to even if they do not succeed in their academic endeavours in schools. The kids at Moratuwa, Peliyagoda and Point Pedro are also supported with the nutritional programme 2-3 days a week. The introduction of a Community Social Responsibility project for the kids at Moratuwa and Peliyagoda brought about a sense of taking ownership in identifying and addressing simple community needs such as cleaning up the environment and encouraging organic home gardening, etc.

Commemorating Independence Day with an oratory and essay competition, participating in the Environment Day seminar organized by DC, and the DC Art Competition winners tour to Udawalawe National park, commemorating Universal Teachers Day, Children's Day, participation at Career guidance workshop conducted by NVTC and the educational tour of the Ancient City of Anuradhapura were some of the special activities to which the MJF Kids were exposed during the year.

A fellowship programme with the inmates of the home for the mentally retarded girls in Bellantara and the Little Santa programme for the inmates of the children’s wards at the National Cancer Institute in Maharagama were 2 significant initiatives undertaken by the MJF Kids in Peliyagoda under the Community Social Responsibility programmes.

The MJF Kids also entertained the Dilmah Global Dealers conference in 2014 with their enchanting stage performance of dance and music.

A new MJF Kids programme was launched in Udawalawe at the Mankada Centre in April 2014 providing new hopes for nearly 25 deserving children. A special English education programme in collaboration with the International Institute of Music and Drama was also commenced in Point Pedro benefitting 148 kids.

As in the past, the kids also commemorated special days dedicated to kids such as the World Environment Day, International Children's Day, April New Year programme, Vesak Lantern competition, Leadership Training programme and the year end programme at the Moratuwa Centre.

Five of the 7 MJF Kids in Point Pedro have obtained 7 As in the GCE O/L examination held in December 2014.

Table 13: MJF kids programmes in summary

<table>
<thead>
<tr>
<th>Centre</th>
<th>No. Enrolled</th>
<th>Average Daily Attendance</th>
<th>No. of Instructors</th>
<th>Frequency of Sessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peliyagoda</td>
<td>130</td>
<td>80</td>
<td>24</td>
<td>Daily</td>
</tr>
<tr>
<td>Moratuwa</td>
<td>120</td>
<td>50</td>
<td>24</td>
<td>Daily</td>
</tr>
<tr>
<td>Pallansena</td>
<td>50</td>
<td>40</td>
<td>08</td>
<td>Daily</td>
</tr>
<tr>
<td>Dhiiriya - Siyambalanduwa</td>
<td>350</td>
<td>140</td>
<td>10</td>
<td>Daily</td>
</tr>
<tr>
<td>Point Pedro</td>
<td>350</td>
<td>190</td>
<td>29</td>
<td>Daily</td>
</tr>
<tr>
<td>Mankada</td>
<td>25</td>
<td>25</td>
<td>01</td>
<td>Every other fortnight</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1025</strong></td>
<td><strong>525</strong></td>
<td><strong>96</strong></td>
<td></td>
</tr>
</tbody>
</table>
Improving the Quality of Life of Plantation Communities (S01)

Health Camp for the Plantation Communities

The 3rd medical camp for plantation workers in collaboration with Help Age was held at Pelmadulla Estate on 30th October 2014.

This was an exclusive vision care programme for the senior citizens of KWPL Estates in Kahawatte in collaboration with Help Age. Nearly 230 senior citizens (all above 55 years of age) attended the programme and 75 were recommended for spectacles. All those who attended the programme were screened by a General Physician and were treated for conditions such as hypertension, diabetes, joint aches and pains, and other general ailments common among elders.

Childcare Development

Having completed most of the infrastructure needed on the plantations in previous annual programmes, the project activities were mainly focused towards nutritional improvements of children at the CDCs through the mid-day meals programme, educational support for plantation children through the educational scholarship programme and supporting the health care services in the plantations of MJFCF.

Nearly 2000 kids below 5 years of age continued to have a nutritious daily mid-day meals at 71 CDCs in Kahawatte Plantations and a further 19 CDCs of 4 estates in Talawakelle Tea Estates.

Nearly 850 kids who attended Grade I in January 2013 and 2014 from the Plantation CDCs were presented with a school bag each and school accessories.

MJF Tea Garden Project

MJFCF focused especially on a holistic development approach towards its own plantation workers on the MJF Tea Garden at Dunkeld Estate located amidst its Tea Trails Bungalows in Norwood.

In addition to providing 4 new single unit houses and a further 4 new units in an upstairs housing block in the previous years, 21 new individual housing units were also provided to the worker families on the MJF Tea Garden at Dunkeld during the year, totaling 29 new housing units. A further 21 new houses will be constructed on upper division of the estate in 2015.

In addition, the old single room health facility on the estate was replaced with a modern Health Centre which will provide a qualitative health care service for the 275 resident families on the estate.

A new Child Development Centre was also constructed for the benefit of the children of the workers who will now receive infant care, preschool education and mid-day meals on a daily basis.

Educational Support

2 IT Centres were refurbished and handed over to the community on Craighead and Imboolpitiya estates of Kahawatte Plantations in which nearly 150 children of Plantation workers are currently provided with computer and IT knowledge.
Further, 4 computers were also donated to the Carlebeck Tamil Vidyalaya in Somerset Estate, which provides IT education to nearly 350 students from the plantations.

The educational scholarship programme for plantation kids, which commenced in 2004, currently supports 283 scholarships. Of this 153 scholarships are for university education.

One of the most significant achievements of 2 children of tea plantation workers who were supported with educational support by the Foundation was when they graduated as medical doctors from the Rajarata Medical Faculty during June 2014. Dr. Sathyaraj Balakrishnan of Somerset estate and Dr. M Kanageswary of Dunsinane estate, the 2 doctors from the plantations, are currently attached to the General Hospital Badulla as House Officers. Dr. Sathyaraj’s ambition is to become a Consultant Gynecologist and Dr. Kanageswary’s is to be Consultant Pediatrician and to serve in hospitals close to their own tea plantation communities.

Anuruddhika, also from the plantations, took her oaths in December 2012 after having obtained a second class upper at the final exam and presently attached to the Attorney Generals Department as a State Counsel. Her younger brother Kosala is now an engineer at the CEB.

The table below is the current status of the MJFCF scholarship programme.

Table 14: MJF kids programmes in summary

<table>
<thead>
<tr>
<th>UNIVERSITY SCHOLARSHIPS</th>
<th>A/L SCHOLARSHIPS</th>
<th>TOTAL</th>
<th>COMPLETED UNIVERSITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kahawatte</td>
<td>27</td>
<td>16</td>
<td>43</td>
</tr>
<tr>
<td>Talawakelle</td>
<td>55</td>
<td>49</td>
<td>104</td>
</tr>
<tr>
<td>Elpitiya</td>
<td>64</td>
<td>45</td>
<td>109</td>
</tr>
<tr>
<td>Others</td>
<td>07</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>153</td>
<td>130</td>
<td>283</td>
</tr>
<tr>
<td>Mankada</td>
<td>25</td>
<td>25</td>
<td>01</td>
</tr>
<tr>
<td>Total</td>
<td>1025</td>
<td>525</td>
<td>96</td>
</tr>
</tbody>
</table>

The MJFCF scholarship scheme has been extended to the 3 MJF Kids in Peliyagoda, 1 in Siyambalanduwa and 8 in Point Pedro.
LIVELIHOOD IMPROVEMENT THROUGH SKILLS DEVELOPMENT (SO1)

The Small Entrepreneurship Programme (SEP) progressed to its 9th year during 2014/15, and the programme has currently reached 1204 beneficiaries.

A total of 201 new SEP beneficiaries, exclusively in the north and east, were provided with livelihood assistance during 2014/15. This included 103 - war affected women - headed families in the north, 62 in the east and 24 former LTTE carders who were rehabilitated by the Government after the war, Further 12 amputees of the Colombo Friend in Need Society/AIDEx were also provided with livelihood assistance during the year.

COMMUNITY DEVELOPMENT

The community based Gemi Aruna Krushi Nishpathana Samithiya – the Orange and Pineapple cultivation project in Pahalalanda in Ampara which was commenced in early 2011 was further strengthened with the completion of the water supply scheme for drinking and irrigation purpose to benefit 87 families and the expansion of the project to cover 2 other villages consisting of a further 140 families with a special donation from friends of Dilmah from the UK.

The MJF Centre in Pahalalanda, which commenced in mid-2013, is nearing completion and will be ready in May 2015. The Centre once in operation will provide opportunities, for kids and adolescents and also the elders in education, vocational training, income generation, etc, replicating the Moratuwa Centre concept in the rural villages.

SUPPORT TO WAR AFFECTED FAMILIES IN THE NORTH AND EAST

The 2nd level support provided for 5 SEP beneficiaries in Point Pedro to further expand their dry fish business has progressed extremely well during 2014, and they are now groomed for the Local Heros initiative. They also have repaid 70% of the loans obtained for further improvement of their business. The group also participated in the “WHO CARES ABOUT NATURE” programme of DC and subsequently at a monthly staff sales programme at Peliyagoda.

The distribution of SEP programme of the MJFCF currently reached to 1204 beneficiary families as seen in the table below.

Table 15: SEP programme beneficiaries

<table>
<thead>
<tr>
<th>BENEFICIARIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>War widows</td>
<td>531</td>
</tr>
<tr>
<td>Prisons</td>
<td>224</td>
</tr>
<tr>
<td>Former LTTE cadres</td>
<td>035</td>
</tr>
<tr>
<td>AIDEX</td>
<td>026</td>
</tr>
<tr>
<td>Others</td>
<td>388</td>
</tr>
<tr>
<td>Total</td>
<td>1204</td>
</tr>
</tbody>
</table>
DONATION OF SCHOOL UNIFORMS TO CHILDREN AFFECTED BY THE CONFLICT IN THE EAST

In addition to providing 1,250 pairs of shoes and 6,248 school uniforms to children attached to 79 schools in Thoppigala and Vavunativu in the east during previous years, a further 4,556 school uniforms were also donated to children attached to 28 schools in Kokkacholai during 2014. The need for school uniforms for these children continues to persist as seen during subsequent visits of the MJFCF to these schools.

EQUAL OPPORTUNITIES TO PEOPLE WITH DIFFERENT ABILITIES (SO1)

MJF Sithijaya Centre for the differently abled, Ambalantota

The operational activities of the MJF “Sithijaya” Centre for the differently abled in Ambalantota which recommenced its operation in November 2013 progressed reasonably well during its 1st year after the re-commencement. The center currently has 54 children with special needs with 4 teachers and a Manager. The average attendance is around 40. The Divisional Secretary of Ambalantota, under whose purview the Centre falls has obtained a re-conditioned bus from the Provincial Health Ministry to provide transport for the children attending the Centre.

Ms. David Peiris Pvt Ltd donated the physiotherapy equipment to the Centre with the consent of MJFCF, which enabled the Centre to provide physiotherapy to those children in need through the physiotherapist attached to the Hambantota Government Hospital.

School for the Visual and Hearing Impaired - Moneragala

The Foundation continued its support towards educational, infrastructural and recreational needs of the school through 2012 and 2014/15. The school also took the initiative of providing employment opportunities to 2 past students of the school who head the sewing and masonry sections. Another B3 past students heads the carpentry unit. Deshapriya B3, who is also the cricket captain, is also trainee teacher at the school.

Daskam Niwasa continues to produce the Dilmah bags for all its major events besides producing other similar products for its routine day to day operations and has maintained the profitability trend during 2014 as well.

Knowledge Chest project at the Sri Lanka Federation for the Visually Handicapped

The MJFCF Audio Library project for the visually handicapped was launched at the Head Office of the Federation for the Visually Handicapped in Colombo providing opportunities for more than 3000 of its members to acquire knowledge from books and publications despite their disability. More than 100 books and publications have been installed in audio form at the Knowledge Chest library for the benefit of its members.

MJF Saddhasarana Home for the Elders

The MJF Elders home at Pitipana provides residential facilities to 18 inmates, and it now manages all its operational expenses independently as a self-reliant entity. The students of the Curtis Centre for Graphics paid a courtesy call at the home and spent a day of fun and amusement with the inmates there to commemorate Elders Day in 2014.
True to its name, the MJf Centre at Moratuwa continues to provide unique opportunities for integration through a variety of activities and structured programmes for children with special needs. The Centre has been transformed to enable and empower all children and their parents as well, regardless of their religion, ethnicity, abilities or social status. The Centre provides opportunities for mainstream children to interact with our diverse community and hence make a difference in the lives of all individuals.

The Rainbow Centre for the Differently Abled

Providing special education and therapy for children from infancy to adulthood, the Rainbow Centre has developed rapidly over a period of less than 3 years. Currently, 120 children with special needs are enrolled at the Centre – a tremendous leap from just 9 when it commenced operation 3 years ago. A team of 25 dedicated staff and teachers including 2 full time physiotherapists, 1 speech therapist and a visiting psychologist provide special education, training and development of life skills and social skills with a focus on building up skills in independent living as well as vocational training with the objective of enabling the children to be independent and enrich their lives as confident individuals despite their multitude of disabilities.

The Centre provides services for individuals from as small as 1-3 years of age, providing an early intervention program to 35 years of age with a multitude of disabilities from Down Syndrome, Cerebral Palsy, Autism, Development Delays and Learning Disabilities, etc.

The Centre for Cerebral Palsy has been a turning point for families with children diagnosed with Cerebral Palsy. This Centre with its own state of the art physiotherapy unit also provides opportunities for clinical practices for the final year students of physiotherapy at the Medical Faculty of the University of Colombo. The Pediatric Physiotherapy Unit is considered more sophisticated than the Lady Ridgeway Hospital for Children. In the past when children received physiotherapy every 4-6 months and no special education. Our students are now fortunate recipients of both physiotherapy and speech therapy at least once a week, hence improving their quality of life. An article written by a parent in the Sunday Island on 5th April is a glowing testimonial of how the Centre has progressed within a span of 3 years and the qualitative and caring service it provides to all children with special needs. bit.ly/1DcTtsy

All guests of the MJF Group and visitors to Dilmah, including the participants of the Dilmah School of Tea, are provided an opportunity to experience and interact with all the children at the Centre joining them with during their day to day activities at the Centre.

The MJF Kids – Moratuwa

An after school program, which caters to the underprivileged children in and around the urban slum communities of Moratuwa benefits, school children from grades, 6, 7, 8, 9, 10 & 11. Whilst providing the students, who attend the Centre 6 days of the week, with educational support and a cross section of extracurricular activities, the objective of the programme is to provide them with support in mathematics, science and English. They also have the opportunity to engage in a variety of exciting activities and different experiences such as, chess, puppetry and drama, sign language, Braille, carpentry, music and art, martial arts, scouting and guiding, etc.

MJFCF and CLF New Zealand commenced a collaborative programme “Life Through Cricket” in Moratuwa in January 2014 to provide opportunities for under privileged kids with life skills development through cricket.

An article written by a parent in the Sunday Island on 5th April is a glowing testimonial of how the Centre has progressed within a span of 3 years and the qualitative and caring service it provides to all children with special needs. bit.ly/1DcTtsy
Cricket Live Foundation is a non-profit organization that uses cricket as a medium to develop the life skills of children from slum areas of India and Sri Lanka. They strive towards changing the lives of thousands of underprivileged children and their families, by using the power of cricket to provide them with a pathway for their future.

The programme which commenced with 48 kids from Moratuwa including 10 of the MJF Kids in the age groups of 11 – 13 was extended to two other sub centers in 2 local schools in Moratuwa during the year. Currently, there are 248 kids associated with the programme at the 3 centers.

The programme is being conducted adopting 5 key competencies of CLF – namely “respect to family and friends, nutrition and healthy living, self-discipline, team work, punctuality and time management. Hence, these kids are not just exposed to cricket alone, but other important life skills and values as well.

Besides the core activity of developing the kids through the medium of cricket, an educational support programme was also introduced mid-way to support the kids in maths in preparation of the main exam.

In December 2014, Cricket Live Premier League 2014 was conducted as a family event to bring the students, coaches and the families together as one team. This was followed with a “Ävurudhu Uthsavaya” in April 2015.

The progress seen during the 1st year has been quite encouraging and rewarding, and plans are underway for the commencement of the next phase of the programme with expansion possibilities to selected rural locations of the country.

**VOCATIONAL TRAINING CENTRE FOR MORATUWA**

Construction of the 20,000 sq.ft state of the art Vocational Training Centre for Moratuwa is currently in progress. On completion in July, this will house the culinary training kitchen, additional facility for kids, the Curtiss Centre for Graphics and the Dilmah Conservation unit.

**THE CARPENTRY WORKSHOP**

The carpentry has progressed into an attractive vocational training for both MJF Kids as well as the Rainbow students. The unit also provided employment opportunity to a former MJF Kid as an Assistant to the carpentry training instructor. The unit also manufactures all internal needs of the Centre, exclusively making use of the discarded wooden pallets from Peliyagoda.

**Celebrating Differences – 2014**

The annual event “Celebrating Differences - 2014” of the MJF Kids together with their peers from the Rainbow and Cerebral Palsy Centres was presented once again to very high standard at the MJF Centre at Moratuwa in December 2014. It was an emotionally touching evening of music, dance and creative entertainment which was highly appreciated by all those present.

<table>
<thead>
<tr>
<th></th>
<th>ON ROLL</th>
<th>AVERAGE DAILY ATTENDANCE</th>
<th>NO. OF TEACHERS / THERAPISTS</th>
<th>FREQUENCY OF SESSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RB/CP Centre</td>
<td>120</td>
<td>75</td>
<td>25</td>
<td>daily</td>
</tr>
<tr>
<td>Carpentry</td>
<td>25</td>
<td>12</td>
<td>01</td>
<td>3 days / week</td>
</tr>
<tr>
<td>Scouting</td>
<td>65</td>
<td>33</td>
<td>01</td>
<td>2 days / week</td>
</tr>
<tr>
<td>Guiding</td>
<td>32</td>
<td>20</td>
<td>01</td>
<td>Once a week</td>
</tr>
<tr>
<td>Mankada</td>
<td>25</td>
<td>25</td>
<td>01</td>
<td>Every other fortnight</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1025</td>
<td>525</td>
<td>96</td>
<td></td>
</tr>
</tbody>
</table>
The Curtis Centre for Design provides opportunities for the youth from underprivileged homes to pursue a career in graphic designing, web designing and computer hardware. In addition, it also provides opportunities for siblings of the MJF, RB and CP kids and also some ambitious mothers of these kids to get an exposure in basic computer and IT know how. A total of 396 students have graduated from the Centre since its inception in 2012.

Table 17: Overview of the achievements at the Curtiss Graphics Institute

<table>
<thead>
<tr>
<th>CURRENT PROGRAMME</th>
<th>COMPLETED TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batch</td>
<td>Enrolled</td>
</tr>
<tr>
<td>Graphics</td>
<td>9</td>
</tr>
<tr>
<td>Hardware</td>
<td>4</td>
</tr>
<tr>
<td>Web Design</td>
<td>4</td>
</tr>
<tr>
<td>MS Office</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>128</td>
</tr>
</tbody>
</table>

In addition to the above training programme the students are also exposed to personal development programmes during their stay with the training in areas such as Youth Development, Leadership and knowledge sharing initiatives.

Kayts Hospital project

MJFCF evaluated the proposal submitted by the Northern Provincial Health Ministry for the construction of a new 2 storey OPD unit for the Kayts Base Hospital in Jaffna and committed to construct and donate the facility to the Northern Province Health Ministry. The construction work is expected to commence in May 2015. On completion, the new facility will benefit a population of approximately 10,000 people.

Wheel Chair donation camps across the country

MJFCF partnered with Cerebral Palsy Lanka Foundation in the distribution of 1000 user friendly wheel chairs to children with cerebral palsy in 10 centers across the country. The programme which commenced on 15th February in Ambalantota has already completed 9 camps in Anuradhapura, Moneragala, Jaffna, Kandy, Ratnapura and Kurunegala. The Galle, Batticaloa and Colombo camps are scheduled for 9th, 12th and 19th respectively by which time all 1000 wheel chairs would be donated to children with cerebral palsy. The camps also provides an opportunity for all children to been screened for dental and eye care needs.
SUPPOR To WOMEN

“Shelter” project for Women through the Ministry of Child Development & Women’s Affairs

The residential section of Diri Piyasa was provided to the “Shelter” project in mid-2011 for women subject to abuse and illegal trafficking. However, the utilization of the facility by the Ministry has not been up to expectations given low numbers of residents (1-4 on average at any given time) and minimal rehabilitative intervention. From January 2014, the Women’s Development Program has been working on technical and life skills trainings, three times a week, to optimize the rehabilitation of the residents on exit from the shelter.

Women’s Development Programme

The Women’s Development Program targets community development through working with women. It aims for holistic development of women, and through women also the family and community. The program commenced in mid-2013 with its base in the Moratuwa Centre, piloting a system replicable in the island-wide Foundation structure.

While their children are at classes held at the Moratuwa Centre, the mothers engage in activities such as cookery, needlework, gardening, and self-development sessions. These activities are intended as entry-point exercises so that the women build trust relationships with both WDP staff and each other. The trust relationship then facilitates discussions on very personal issues integral to self and community development, including but not limited to finances, sexual and reproductive health, domesticity, mental and physical health, and child development.

The 2nd consecutive International Women’s Day, was commemorated on 7th March with the participation of all members associated with the programme.

Income-generating projects, which began in 2013, progressed rapidly during the year and currently the cookery segment of the program handles all catering needs when special events are held at the Centre and also selected meetings at the Head office.

The WDP is also working with the Ministry of Women’s Affairs and Child Development to oversee the shelter for victims of domestic violence, which is part of the Moratuwa Centre. An agreement was reached with the Ministry on 14th March 2014 that shelter residents would be trained by the WDP for self-employment and would be financially supported by grants from the Ministry on exit from the shelter.

Kola Kenda programme for Factory workers and staff at Peliyagoda Office

The Womens Development Unit of the MJFCF conducted a health awareness programme on “Healthy Life” & “Life Skills” to ensure healthy balance between “Home – Work – Community”, for the entire factory workers in July 2014 in collaboration with the HR department.

Based on the feedback the MJFCF team received from the factory workers in regards to the nutritional status and eating patterns, a programme to provide kola kenda to all factory workers in the morning was launched at the Peliyagoda factory in November 2014. This programme has been well patronized not only by the factory workers, but the staff as well. Reports from the Company nurse reveals that health issues such as gastritis, nausea, headaches, fainting, stomach aches, etc. had reduced significantly after the introduction of the Kolakenda programme to the factory workers.

3.5 PRODUCT RESPONSIBILITY (PR1, PR3, PR5)

PR1 - Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.

MJF exercises due care & diligence in the design of their
products to ensure they are fit for the intended use and do not pose hazards to health of the consumers. This covers a systematic assessment of the possible health impact that can pose from the raw material, packaging material & processes that come in contact with food and all the processing steps from the point of receipt of material to the dispatch of the final product.

New product development concepts initiated by the Chairman & Marketing Director are directed to a committee headed by the New Product Development Manager. This committee consists of representatives from various departments covering such aspects as health and food safety, environment, process capability, & regulatory requirements.

Research and Development driven by the Food Technology Division takes care of the keepability, safety & health beneficial aspects of the products.

The procedures and processes practiced are in line with the food safety, quality & Environmental Management System Standards, like-wise manufacturing processes follow GHP & GMP.

MJF has developed a procedure for product safety evaluations of input materials in each product. The materials included in a product undergo a process called "Material Approval", an assessment by food packaging/engineering/quality specialists before being sent to commercial production. The product safety assessment includes compliance with laws and regulations to ensure that the product is safe for the consumer.

**PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.**

Information pertaining to product is regularly communicated via the social media.

Strict adherence to Quality & Environmental Management System ensures the proper sourcing of material & disposal of waste and addresses issues impacting socially.

**PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction**

Customer satisfaction surveys are conducted via documentary systems, regular visits to the market place, distributor meetings/ conferences, social media & promotional campaigns.

**Quality policy – in relation to product responsibility**

**QUALITY AND FOOD SAFETY POLICY**

We are committed to offer our Consumer finest quality Ceylon tea, packed at source with a guarantee of freshness and rich flavour.

Our production process ensures a pure and hygienic product, whilst conforming to the highest food safety standards, ensuring compliance with statutory and regulatory standards and mutually agreed requirements of our Customers.

We shall partner with our stakeholder groups in striving for excellence, innovation and quality of service. We shall, together, work with commitment and dedication, towards continual improvement, utilizing available resources in an efficient and cost effective manner.

We shall continue to demonstrate our corporate social responsibility in a sustainable manner towards the community.

**Organizational responsibility**

The most senior position with operational responsibility for Product Responsibility Aspects is Deputy Chairman.

**Training & Awareness**

This is an on-going process, carried out at the time of recruitment & whilst on the job. The training aspect is covered by the Human Resources division & product line managers through a documented set of procedures.

The product quality and the health & safety aspects are further elaborated by the Head of Quality Assurance & the nursing sister.

Personal assessment which is carried out on an annual basis is considered as a source document to highlight training needs amongst the employees. This would lead to conducting refresher training where necessary.

**List of certifications in relation to the product**

- FSSC 22000 Certification Scheme for Food Safety Systems
- BRC Global Standard for Food Safety: Issue 6
- ISO 14001: 2004 Environmental Management System Standard
SECTION 4 GOVERNANCE

CEYLON TEA SERVICES PLC - SUSTAINABILITY REPORT 2014/15
SECTION 4 GOVERNANCE

4.1 THE BOARD OF DIRECTORS
The Board, recognize that they are responsible for the formulation and implementation of overall business strategies and policies, setting standards on a short, medium and long term basis and adopting good governance in the management of the affairs of the Company.

4.1.1 COMPOSITION OF THE BOARD
The Board comprises of the Chairman, Deputy Chairman/CEO, three Executive Directors and three Non-Executive Directors. The Board is made up of members with substantial experience and knowledge concerning the industry and the Executive Directors specialize in their respective functional areas.

Mr. Merrill J. Fernando
Chairman

Mr. Himendra S. Ranaweera
Deputy Chairman/CEO

Mr. Malik J. Fernando
Executive Director

Mr. Dilhan C. Fernando
Executive Director

Mr. Roshan Tissaaratchy
Executive Director

Ms. Minette Perera
Non Executive Director

Mr. Rajan Asirwatham
Independent Non Executive Director

Mr. Gritakumar E. Chitty
Independent Non Executive Director

4.1.2 BOARD COMMITTEES
The Board has appointed two sub committees: the Audit Committee and the Remuneration Committee.

4.2 AUDIT REVIEW
The internal audit function forms an important unit of the Company and the internal auditor carries out a programme of financial auditing of various functions and processes. The company has also a team of trained internal auditors who carry out regular system audits and report their findings to the management. Any non-compliance is discussed and attended to immediately. As required by the certification processes, third party external auditors verify and review the Quality, Food Safety and Environmental Management systems and procedure of the Company and submit their reports.

4.3 HUMAN RESOURCES REVIEW
The Company carries out an appraisal of each and every employee on a bi-annual basis. The review identifies the strengths and weaknesses of the employees, whilst evaluating his/her contribution to the performance of the company. The review also identifies the training needs and external/internal training programmes are conducted to meet the identified needs.

4.4 EXECUTIVE MANAGEMENT TEAM
The CEO and Operational Directors are responsible for the operational management of the company. They are ably supported by senior managers covering all relevant areas of activities. All Managers are professionally qualified in their respective fields and the company has paid emphasis on continuous professional development in their respective functional and cross functional areas.

4.5 SYSTEMS AND INTERNAL CONTROLS
The Board has overall responsibility of the systems of internal control and has put in place sufficient internal controls to protect its assets and to ensure compliance with statutory requirements. The Company is certified for ISO 9001:2008 Quality Management System, FSSC 22,000 Certification Scheme for Food Safety Systems, BRC Global Standard for Food Safety : Issue 6, ISO 14001:2004 Environmental Management System Standard and ISO/IEC 17025:2005 Laboratory accreditation for chemical testing. All systems are well documented with clearly defined processes, duties and responsibilities. These Product Performance Indicators are monitored monthly and management reviews are held quarterly.

4.6 ENGAGEMENT OF EMPLOYEES
The open door policy which governs the employee engagement at CTS enables any individual employee to be accessible to management. The purpose of our open door policy is to encourage open communication, feedback, and discussion about any matter of importance to an employee. Our open door policy means that employees are free to talk with any manager at any time. Moreover,
the following meetings/ consultations are adopted for engaging employee concerns in to the operation of the organization.

Employee Consultative meetings are held with the Chairman, Director – Operations and Director – Marketing. This meeting primarily represents the workforce. The Committee has representation from Production, Engineering and Material Stores and comprises 19 Members. At these meetings, employees have direct access to the Chairman and can share their suggestions or present anything that is important to them.

Each department of CTS conducts regular meetings at a frequency of weekly or monthly basis with their direct reports. This provides for an exchange of ideas and fosters team working

Cross Functional meetings: Department Heads/or their representatives meet weekly to discuss work related issues, so that greater synergies can be obtained. This contributes to greater cooperation across departments and functions.

4.7 SUSTAINABILITY COMMITTEES
A Sustainability Committee has been set up to ensure that Dilmah:

- Identifies emerging sustainability issues as well as assess impact risk and opportunity for the Group.
- Prioritises key sustainability factors according to their relevance for long-term organizational strategy.
- Ensures a cohesive focus on the current Group sustainability factors.
- Reviews progress and identifies best practice

Sustainability indicators are monitored by 05 departments of CTS. Two of the sustainability indicators representing the economic aspects of the organization, which is directly related to the operations of the Department of Finance, is headed by the Chief Financial Officer. He is supported by two Sector Financial Controllers and subordinate staff of more than 40. Decision making and execution are completely under their scope.

Under the area of enhancing social performance of the organization, the Department of Human Resources plays a vital role being responsible for looking after our employees. All employee /staff related work is managed and executed by the Department of Human Resources under the direct supervision of the CEO of CTS.

The MJF Charitable Foundation was established by the Founder. The Foundation utilizes part of the revenue from the global sales of Dilmah to change the lives of the under-privileged in Sri Lanka. It is registered at the Kelaniya Pradeshiya Sabha and also an approved charity by Gazette number 1272 of 16/1/2003. The Foundation is governed by a Board of Trustees consisting of the Settler, 3 external and 4 internal trustees.

Dilmah Conservation was established in 2007. Guided by an Advisory panel chaired by the Director Marketing, Dilmah Conservation has been implementing a number of conservation initiatives in many parts of the country. Dilmah Conservation has a specialized team working on these projects, in-house and at sites and is lead by a Manager.

In 2013, Ceylon Tea Services PLC was awarded with ISO 14001:2004 certification by DNV Business Assurance, certifying the compliance of our operation to the requirements of ISO 14001:2004 Environmental Management System standard. The implementation of the system and maintenance of the compliance was governed by a team comprised as follows. Chair – Deputy Chairman/ CEO, Management Representative – Quality Assurance Manager, Representatives from Quality Assurance, Engineering, Production, Food Technology, Material Stores, Administration Departments and Dilmah Conservation. Regular meetings are held in order to plan out the work and decisions are taken by the team with the guidance of the Deputy Chairman.

4.8 STAKEHOLDER ENGAGEMENT
Our engagement with our multitude of stakeholders reflects the value we place on strong relationships to build and grow whilst meeting the standards set for ourselves and our stakeholders.

Key stakeholders engaged by Dilmah are set out in table 18.

4.8.1 BASIS FOR IDENTIFICATION AND SELECTION OF STAKEHOLDERS
The Company considers any person or organization either internal or external as a stakeholder if such persons or organization is affected or expected to be significantly affected, directly or indirectly due to the activities of Dilmah or due to their engagement with Dilmah. Stakeholders identified are categorized and prioritized according to the level of influence on the company, representation, dependency, proximity and nature of responsibility.

4.8.2 APPROACHES TO STAKEHOLDER ENGAGEMENT
We strive to build and enhance trust with all our stakeholders through open communication using both formal and informal channels of communication designed to ensure true engagement and transparency and follow up action when necessary. Opening and maintaining a constructive dialogue
with our stakeholders helps to understand expectations and contributes to risk management, learning and innovation. It helps to identify emerging issues and opportunities for creating new products and services and improving our performance. It is a value creating activity and the ways of engaging and issues drawn from them are identified in Table 18.

The Company will also continuously find new avenues and build on the existing ones to improve communication with its stakeholders.

We have a wide range of stakeholders who have, in several ways, been affected by the Company’s strategic actions, decisions and policies.

**TABLE 18: STAKEHOLDER ENGAGEMENT**

<table>
<thead>
<tr>
<th>Employees</th>
<th>We continuously engage our employees in accomplishing companywide sustainability objectives by facilitating access to training, better environmental awareness and by harnessing their active participation in accomplishing sustainability targets. These are monitored through appraisals where we encourage them to demonstrate their environmental consciousness through behavioral competencies. They take part in areas of water conservation, proper waste management practices, energy conservation as part of their job related behavioral practices.</th>
</tr>
</thead>
</table>
| | • Employees have been formed into work groups to accomplish broader objectives such as:  
  • Sustainable productivity strategies to sustain the green Productivity (GP)  
  • Environment Management awareness  
  • Waste water treatment  
  • Ecological foot print  
  • Waste management and disposal general principles; Product carbon footprint awareness |
| | Several employees received Kizan – rewards for innovations – (e.g. New energy saving Method).  
  Areas namely:  
  Conservation of Energy;  
  Conservation of water  
  Waste management:  
  are very familiar with employees as the importance of saving energy, water etc. and notices of the information are displayed prominently at many places. |
| Senior management is well aware of the sustainability benchmarks / targets. This increased awareness among them is a result of continuous dissemination of information; engaging them at the highest level in establishing targets and involving them in assessing the level of accomplishments. | The sustainability report of 2013/14 was distributed among the senior management and plan are underway to translate the same into Sinhala/Tamil and to share them with those staff who are more conversant in those languages. |
| Customers | In year 2014 Dilmah conducted series of consumer and trade engagement events around the world to cover at least 27 countries across the world and series of activities in Sri Lanka. Some of the key activities included inauguration of Dilmah School of Tea. This is an innovation by Dilmah to educate consumers, tea aficionados and hospitality professionals about tea, its diversity, diversatility and position tea as the apex of luxurious experience. The Dilmah High Tea Challenge was conducted globally to pick the national winners. The Global High Tea Challenge will climax in July 2015 with 21 teams from 14 countries coming to Sri Lanka to compete for the Global Real High Tea championship. Amongst the key event in 2014 is the bi-annual Dilmah Partner Conference, gathering of Dilmah partners from across 105 countries in Sri Lanka for business planning. | National winners, trade engagement events in different countries. |
| Suppliers | Main goods and materials supplied to our operations comprise tea leaf, packaging materials, consumables, chemicals and flavouring. Others such as paper, packaging materials IT Equipment. We have our suppliers from variety of sources namely from plantation management companies. | |
| Shareholders | We have 814 registered shareholders, with 757 of them as individuals and 57 as institutional shareholders. In terms of shareholders’ engagement, shareholders are encouraged to be present, actively participate and vote at the Annual General Meeting and the Directors consider the AGM as an opportunity to constructively communicate with shareholders. The shareholders have the option of raising any question relating to the performance of the Company and whenever possible the Company implements their suggestions. | The shareholders have unanimously endorsed supporting MJf Charitable Foundation and Dilmah Conservation in pursuing sustainability objectives of the Company. Shareholders have been kept informed of sustainability initiatives of the Company through the Annual Report, through AGM and through web based information dissemination systems. |
## ANNEX 1 - WASTE MANAGEMENT

<table>
<thead>
<tr>
<th>WASTE TYPE</th>
<th>AVERAGE GENERATION</th>
<th>DISPOSAL METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea waste</td>
<td>6,000 kg/month</td>
<td>About 50 kg tea waste is composted at Dilmah Conservation Sustainable Agriculture Research Centre, Moratuwa. The balance quantity of 10,000 kg was converted to biochar, which is a soil enhancement material used in agriculture. The machine for producing biochar was invented by Dilmah Conservation.</td>
</tr>
<tr>
<td>Paper waste - office</td>
<td>190 kg/month</td>
<td>Neptune Recyclers’s Limited</td>
</tr>
<tr>
<td>Empty Paper sacks</td>
<td>5,875 kg/month</td>
<td>Neptune Recyclers’s Limited</td>
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<tr>
<td>Empty paper cones</td>
<td>1,603 kg/month</td>
<td>Neptune Recyclers’s Limited</td>
</tr>
<tr>
<td>Cardboard</td>
<td>4,510 kg/month</td>
<td>Neptune Recyclers’s Limited</td>
</tr>
<tr>
<td>Printed foil, BOPP</td>
<td>200 kg/month</td>
<td>Geo cycle (Pvt) Ltd – Holcim Lanka Ltd</td>
</tr>
<tr>
<td>Inner/Branded items</td>
<td>1,300 kg/month</td>
<td>Geo cycle (Pvt) Ltd – Holcim Lanka Ltd</td>
</tr>
<tr>
<td>Other plastics</td>
<td>Variable, 100 kg/ month</td>
<td>Neptune Recyclers’s Limited</td>
</tr>
<tr>
<td>Glass</td>
<td>Variable 30 kg/ month</td>
<td>Recycling facility at Western Province Waste Management Authority</td>
</tr>
<tr>
<td>Waste bulbs</td>
<td>About 50 bulbs/ month</td>
<td>Asia Recycler’s – Orange Bulbs</td>
</tr>
<tr>
<td>E- waste</td>
<td>About 20 kg/month</td>
<td>Green Lanka (Pvt) Ltd for recycling</td>
</tr>
<tr>
<td>Used Lubricant Oil</td>
<td>150 L/month</td>
<td>Reused at Nawaloka Timber Mills as a wood preservative and, Dias Engineering as an additive to fuel.</td>
</tr>
<tr>
<td>Metal Scrap</td>
<td>4,008 kg/year</td>
<td>Ashok Steel (Pvt) Ltd for recycling</td>
</tr>
<tr>
<td>Food waste</td>
<td>216 kg/day</td>
<td>Sending to a piggery as food for them</td>
</tr>
<tr>
<td>Lunch sheet</td>
<td>03 kg/day</td>
<td>Washed and recycled at CEA approved facility at Wattala.</td>
</tr>
</tbody>
</table>
## ANNEX 2 - COUNTRIES DILMAH IS AVAILABLE IN

<table>
<thead>
<tr>
<th>ASIA PACIFIC</th>
<th>MIDDLE EAST / AFRICA</th>
<th>WEST AFRICA</th>
<th>EUROPE</th>
<th>CIS REGION</th>
<th>SOUTH AFRICA</th>
<th>NORTH AMERICA</th>
<th>SOUTH AMERICA</th>
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<tbody>
<tr>
<td>Afghanistan</td>
<td>Bahrain</td>
<td>Burkina Faso</td>
<td>Austria</td>
<td>Armenia</td>
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<td>Canada</td>
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