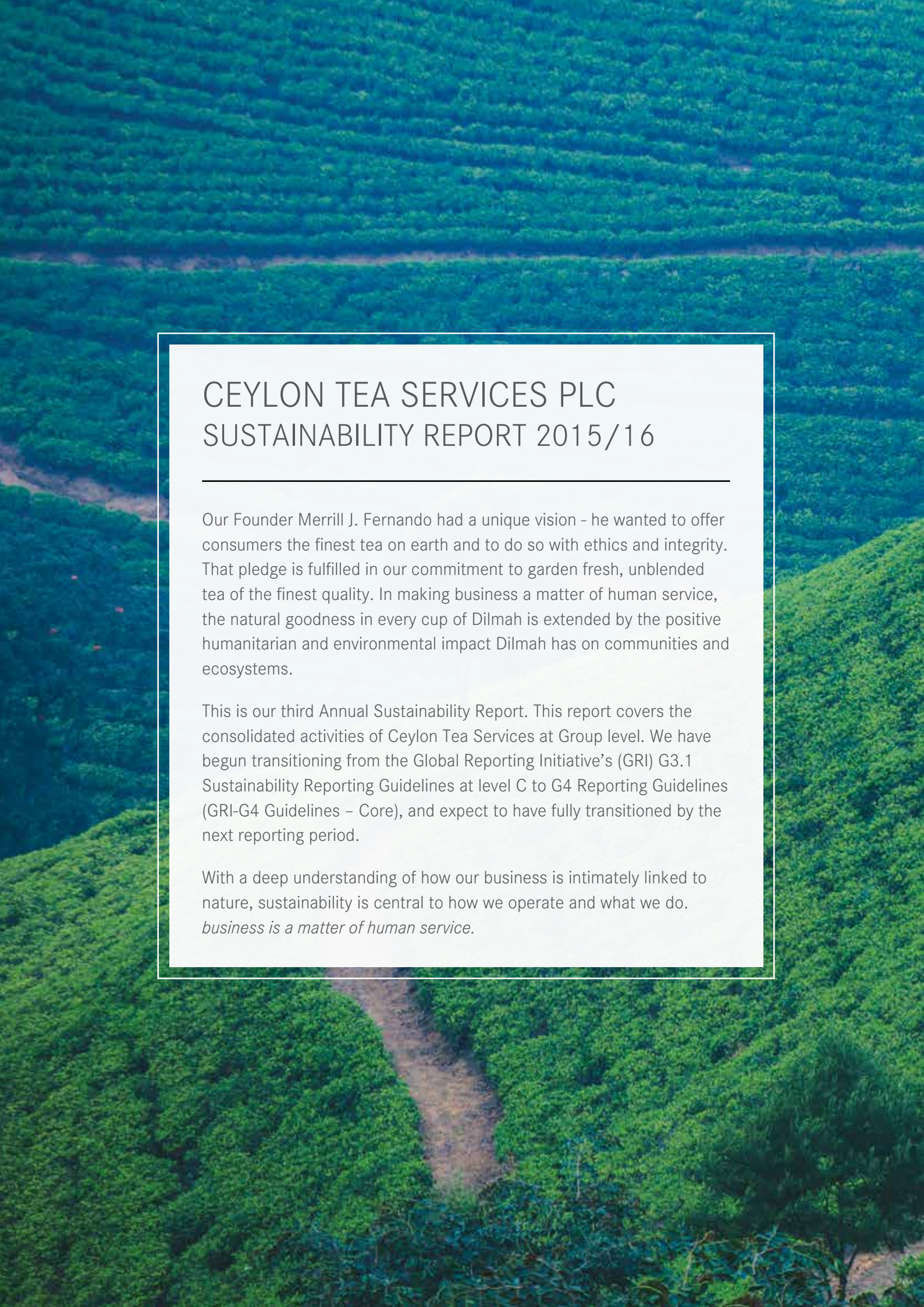




CEYLON TEA SERVICES PLC

SUSTAINABILITY REPORT 2015/16

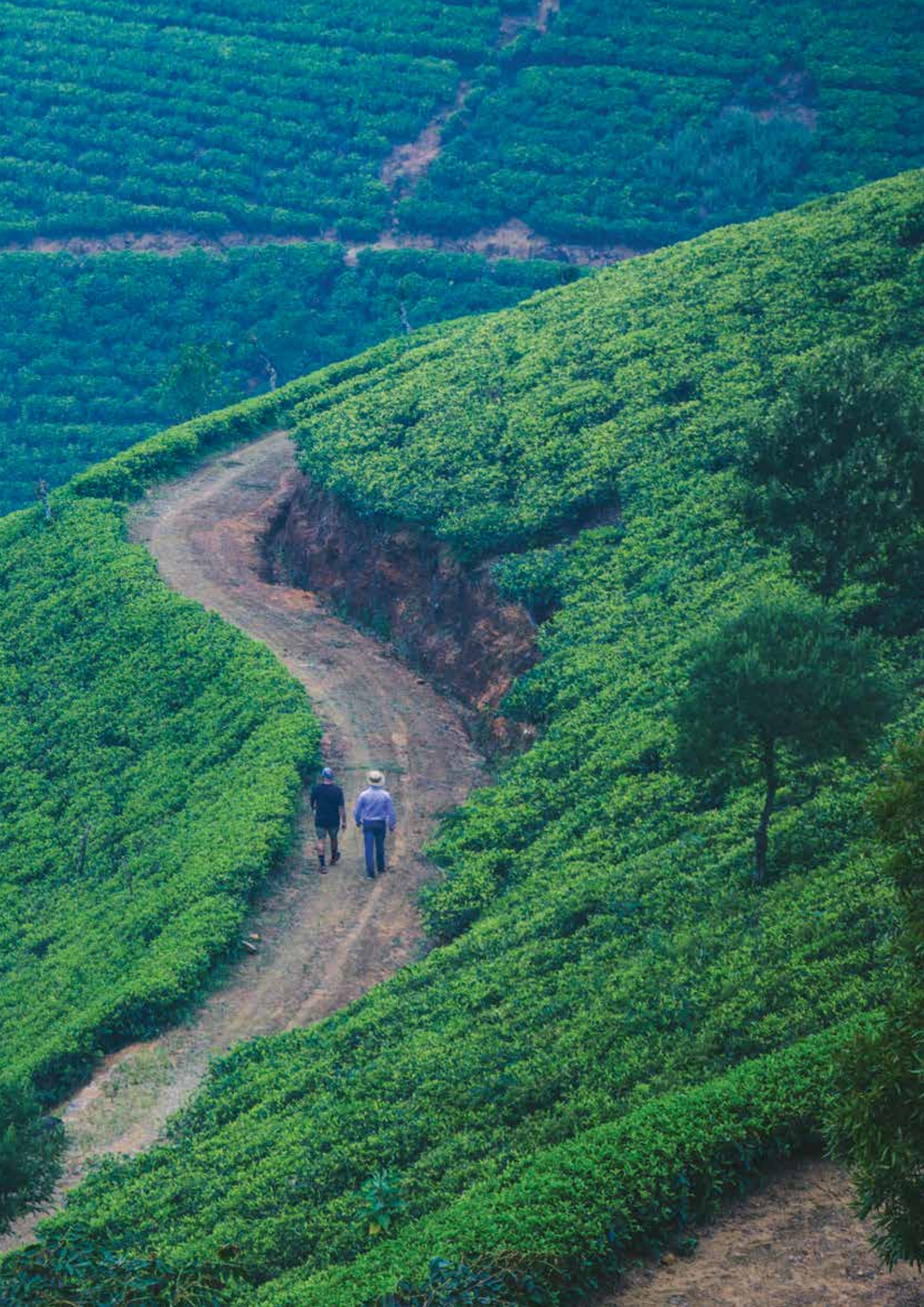


CEYLON TEA SERVICES PLC SUSTAINABILITY REPORT 2015/16

Our Founder Merrill J. Fernando had a unique vision - he wanted to offer consumers the finest tea on earth and to do so with ethics and integrity. That pledge is fulfilled in our commitment to garden fresh, unblended tea of the finest quality. In making business a matter of human service, the natural goodness in every cup of Dilmah is extended by the positive humanitarian and environmental impact Dilmah has on communities and ecosystems.

This is our third Annual Sustainability Report. This report covers the consolidated activities of Ceylon Tea Services at Group level. We have begun transitioning from the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines at level C to G4 Reporting Guidelines (GRI-G4 Guidelines - Core), and expect to have fully transitioned by the next reporting period.

With a deep understanding of how our business is intimately linked to nature, sustainability is central to how we operate and what we do.
business is a matter of human service.





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SECTION 1 INTRODUCTION

1.1 MESSAGE FROM THE FOUNDER & 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 ended 31st March 2016.

The story of Dilmah began in 1988. I was then a small tea grower with big dreams, I wanted to bring my country's tea – the finest in the world – garden fresh and ethically produced, direct to tea lovers around the world. I had to compete with giant multinational brands. Many said that mine was an impossible dream, but loyal tea drinkers around the world have made my dream a reality. Today, two and a half decades later, my sons Dilhan and Malik have joined me in my mission. My vision is to bring you tea of the highest quality – fresh, rich in flavor and natural goodness – and at the same time to give workers and my country a fairer deal. I pledged to make my business a matter of human service.

Dilmah owes its success to the quality of Ceylon Tea. Our business was therefore founded on an enduring connection to the land and the communities in which we operate. From our inception, 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. The environment is central to Dilmah's business and Dilmah Conservation was established as an affirmation of this core commitment to environmental sustainability. As Dilmah has grown, I have not forgotten my pledge, and revenue from the sales of Dilmah fund the work of the MJF Charitable Foundation. Our Foundation has changed the lives of thousands and its humanitarian services will continue to grow alongside Dilmah.

Dilmah has a unique and integrated global footprint in the beverage industry. We own and operate tea estates, extraction facilities for tea, packing facilities and research and development laboratories. We will continue to evolve, as we pursue the exciting opportunities presented in beverage markets around the world, underpinned by our unique position in tea. These changes are clearly steps forward to a new chapter, rather than steps backwards.

Unlike other companies, our supply chains span every sector of the tea value chain. This is no easy task but it is what differentiates us from other companies and is what our customers increasingly value. Put simply, Dilmah brings the best from tea bush to cup. Because we operate across the entire value chain, we are keenly aware of the total environmental impact of our activities. As owners of tea estates, we also take a longer term view on our natural environment – with a deep understanding of how our business is intimately linked to nature. For example, we work on a number of forestry related activities, because we understand how dependent tea cultivation is on the forests that surround us. Forests help control micro-climates, provide water and protect biodiversity, helping to control pests and diseases. Sadly, there are already many examples that surround us, where the importance of forests has been ignored – often too late as visibly demonstrated by the natural disasters our country has faced during the recent past. We strive to ensure that this is not the case where we operate. We also take a long term view on developing best practices. We try where ever possible to look beyond certification.

We hope that the information presented in this 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.

We are continuously evolving and we take pride in what we do every day. Please join us in celebrating tea, nature's gift of goodness, and in appreciating the special pleasure in a cup of fine tea!



Merrill J. Fernando
Founder of Dilmah

1.2 OUR CORE COMMITMENT TO SUSTAINABILITY



Ethical behavior is part of being human. Our Founder, Merrill J. Fernando established his business on family values and humanity, which naturally led him to commit to the unique philosophy of making business a matter of human service. Rejecting the commercialization of ethics, Dilmah stays true to our Founders' philosophy which was crystallized at a time when ethics and social responsibility were neither as much in the public eye as they are today, nor considered even to be amongst the responsibilities of business. The success of Dilmah is shared with the underprivileged with a minimum of 10% of Dilmah's global earnings funding the work of the MJF Charitable Foundation and Dilmah Conservation. The powerful expression of Merrill J. Fernando's pledge to make his business a matter of human service is in the thousands of lives transformed by the work of his foundation in the areas of education, health, community development, care for the elderly and differently abled, and the environment.



A firm commitment to sustainability is exemplified in the principles we follow as dictated by the Six Pillars of Dilmah in every aspect of business and in the conduct of our workers, staff and management. The Six Pillars are Integrity, Tradition, Quality, Our Customer, Ethics and Sustainability.

OUR 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.

In 2007, Dilmah Conservation was established as a business objective with the aim of protecting the environment by encouraging a harmonious co-existence between man and nature. The conservation aspect of Dilmah's activities was technically 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 programmes. Since then, Dilmah Conservation has engaged in promoting sustainable environmental and social development initiatives gearing towards mainstreaming sustainability, encouraging research, conserving and protecting Sri Lanka's wealth of biodiversity, habitat and ecosystem restoration, empowering indigenous communities, endorsing sustainable livelihoods, and supporting environmental and nature education.

Five of our companies 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.

1.3 KEY HIGHLIGHTS

2015/16 HIGHLIGHTS

COMPLIANCE STANDARDS

- Packaging, is subjected to stringent quality control and laboratory testing to ensure that the final product exceeds the customer's most exacting specifications. All teas shipped from our facility meet high standards of hygiene and quality. The in-house state of the art Chemical and Microbiological laboratory, which is ISO/IEC 17025 accredited, certifies that all shipments comply with International Regulatory requirements on Food Safety. Furthermore the organization is certified for ISO 9001, FSSC 22000, BRC and ISO 14001 standards.



- **ISO 9001: 2008 – Quality Management System Standard** - Certifying body: Det Norske Veritas (DNV)
- **FSSC 22000 – Certification scheme for food**

Safety Systems including ISO 22000: 2005, ISO/TS 22002-1 and additional FSSC 22000 requirements - Certifying body: Det Norske Veritas (DNV)

- **BRC - Global Standard for Food Safety** - Certifying body: SGS
- **ISO 14000: 2004 – Environmental Management System** - Standard Certifying body: Det Norske Veritas (DNV)

BUSINESS IS A MATTER OF HUMAN SERVICE

Earnings from our global sales remain in Sri Lanka and are shared with our workers, and the community and re-invested in sustainability initiatives to support the industry. During the year, the MJF Charitable Foundation (MJFCF) has implemented over **48 projects** which have touched the lives of **over 50,000 underprivileged** Sri Lankans.



For many children from tea plantations, pursuing further education is just not possible, as parents often lack resources to support them. During the reporting period, MJFCF assisted **91 child development centers** in Dilmah tea gardens and through the the MJF Scholarship Scheme, supported **24 children** from plantations in their pursuit towards higher education, providing them with greater opportunities in life.

The MJFCF Small Entrepreneur Programme (SEP) supported and enriched **231 lives** during the year. SEP focuses on building peoples' talents, preparing them to lead independent, productive lives and often, become role models in their villages. Many disadvantaged people, from across the country, have become entrepreneurs benefiting from SEP. The Local Heroes Programme which evolved from the SEP supports individuals who show promise in developing their skills. This programme has helped develop and empower communities across Hambantota, Moneragala, Siyambalanduwa, Mattala and Batticaloa.



Unfavorable social conditions experienced in Sri Lanka's North and East, in the aftermath of the war, led MJFCF to establish a special SEP to support women marginalized, as a result. Many female led single parent families which were the worst affected have developed their own businesses and live in dignity through this programme.

Poverty and inadequate infrastructure aggravates the plight of differently abled individuals, especially in less developed areas. MJFCF supported the Monaragala and Ratmalana Schools for the Hearing & Visual Impaired through the MJF Centers in Moratuwa and Ambalantota and supported similar schools in more remote areas where funding is scarce.



The MJFCF Rainbow Centre, established at our Centre in Moratuwa, continues to address the needs of children with special needs in Sri Lanka. The Rainbow Centre provides care and therapy for children with Cerebral Palsy, Down's syndrome and other developmental disorders, with sensory integration mechanisms, which include Sri Lanka's first Snoezelen Room. A specially designed programme focused on livelihood training for women from marginalized communities was introduced and is now underway. The programme includes mothers of differently abled children who attend therapy at the Rainbow Centre.

The MJFCF supports differently-abled sportsmen and sportswomen through the Merrill J. Fernando Trophy for Excellence in Blind Cricket and AIDEX. Through these initiatives, people with disabilities are provided an opportunity to actively participate in sports and to enhance their skills.



Recognizing that a life of poverty leads many individuals to a life of crime, the Reform and Integrate Programme of MJFCF, one of its kind in the country provided ex-prisoners a chance to integrate into society and live with dignity. This programme was continued throughout the year.

Together with IUCN, International Union for Conservation of Nature, Sri Lanka, Dilmah Conservation embarked on a journey to conserve the treasure trove of biological diversity in the tea estates owned and managed by Dilmah by improving the overall ecological integrity and watershed services of the natural areas within the estates.



The natural and semi-natural areas of the tea estates belonging to Dilmah 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. During the reporting period, work was continued to develop management plans for the natural areas that lie within Dilmah estates. During the year Rilhena, Opatha 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 centered 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 Research Station, which is being developed at Queensberry Estate, Kahawatte Plantations which is a long felt need fulfils a necessary requirement to constitute a solid base in the field of climate change research in Sri Lanka. 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 were identified.

With tea being one of the main export oriented plantation crops, improvement of soil conditions in estates has become increasingly required with regard to many aspects. Years of neglect due to poor management practices have created unsustainable and unyielding estates. The application of chemical fertilizers have led to certain issues related to soil properties arising, for example, microbial growth issues, pH changes, water quality deterioration etc.

Dilmah Conservation initiated a research study to address and mitigate this situation. Through this experiment, which was implemented in March 2016, Dilmah Conservation hopes that the deteriorating soil conditions in many Sri Lankan tea plantations may be addressed with the application of good agricultural practices as a sustainable solution. The aim of this research is to reduce fertilizer and other artificial inputs by at least 50 percent whilst increasing the productivity of the land by at least 50%. The first site for the biochar application was at the Rilhena Estate of Kahawatte Plantations, chosen for its different agronomic and climatic conditions. At present, research is being conducted at the Endana estate. More specifically, this research conducted by Dilmah Conservation expects to evaluate the potential usage of biochar as a multi-beneficial soil enrichment, which can be incorporated in tea fields to increase yield and quality of tea. Bio-char applications have taken place in Craighead Estate and Queensberry Estate with applications of 05 hectares in each estate with 10 tonnes of Biochar. The patent for the prototype bio-char reactor developed in 2013-14 has been filed and is pending.



The Rilhena factory uses approximately 2.5 tonnes of firewood per day. Under normal conditions this amount is used to evaporate over 500 liters of water (moisture content in wood) in addition to providing heat for tea driers. Dilmah Conservation pioneered an initiative towards reducing firewood usage by 20% by designing and manufacturing a drying chamber using exhaust heat. 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. 7 more factories have adopted the successful model and installed drying chambers with considerable firewood savings.

Continuous reductions per unit across water, waste, carbon and energy show continuous 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 their own. We support the multilateral approach where we work with others across the industry and come together to find solutions.

Dilmah Conservation embarked on publishing the book, *“The Guide to Eco Friendly Home Garden”* authored by Mr W. Sarathchandra Fernando, to provide assistance



to those interested in reaping maximum benefits of traditional agricultural practices, whilst also leading them to better environmental practices. The publication is part of a wider effort which also includes the Dilmah Conservation Sustainable Agriculture Research Center (DCSARC) in Moratuwa that has developed proven methods in urban home gardening.

The Merrill J. Fernando Eco-Innovation Award was initiated during the year, with the vision of establishing and promoting eco-innovative development in



Sri Lanka.. The Award, which was launched in March 2016, welcomed Sri Lankans of all ages to submit breakthrough concepts and prototypes that aspire to solve current national and global environmental issues under the sectors waste, biodiversity, water, energy and blue economy. Through this initiative, Dilmah Conservation hopes to inspire the people of Sri Lanka to create and implement unique, eco-friendly and sustainable solutions that will carry the country and its people into a more productive future.

Our major cross industry initiative launched in 2012 by Dilmah Conservation, IUCN and the Ceylon Chamber of



Commerce is the 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 legal process for formalizing the status of the Platform under the Companies' Act, as a not-for-profit entity limited by guarantee was completed in October 2015. Thus, it was re-branded as Biodiversity Sri Lanka (BSL), taking a bold step forward, focusing on national priorities that would set higher standards for Sri Lanka's private sector to further commit towards the conservation of our valuable biological heritage. Dilmah Conservation continues to hold a permanent seat on the Board of

Directors of BSL and the current Chairman of the Board of Directors is Mr. Dilhan C Fernando, Director, Ceylon Tea Services PLC.

The backbone of BSL is its members. Membership is



open to Sri Lanka-based businesses ranging from national to multinational companies and SMEs. Currently, thirty-one (31) leading corporates - all with high standards of environmental custodianship have backed the Platform by becoming its invited Patron Members. As another significant milestone, thirty (30) General Members have enlisted to date. Membership of BSL brings in a wide array of benefits to its members, in the arena of biodiversity conservation and environmental protection. As a part of the services offered, BSL 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. Knowledge of current best practices is disseminated through workshops and learning events, recognizing outstanding corporate contributions to biodiversity conservation.

Constantly keeping an eye on the future is a prerequisite to ensuring that our core commitment to sustainability stays focused. It has been six 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.

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.

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 (Pvt) LTD, MJF Beverages (Pvt) LTD, Forbes and Walker Tea Brokers (Pvt) LTD and Print Care PLC.

1.4.1 REPORTING PERIOD

The report is for the financial year 2015/16. This follows on from our Sustainability Report of 2014/15.

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 business faces different challenges depending on its location, products or stakeholders. Head Office provides oversight, facilitation and guidance. In addition to the universal indicators of Carbon, Waste, Energy, Water and Health and Safety, each business prioritizes objectives materially relevant to their operations. Sustainability objectives are aligned with business objectives and owned by the relevant function with clear responsibilities and measurable targets. This is backed up by accountability and transparency through public reporting of performance. Each business head has Sustainability KPIs built into their performance. The Group has many experts on areas from energy, agricultural practices, environmental management and we aim to use their knowledge across the Group

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.

- Undertake regular business performance, taking action to increase the long term sustainability of our business portfolio over time
- Explore new business opportunities in keeping with our sustainability goals
- Maintain sufficient diversity in both our markets and products to ensure resilience

- Make the true cost of production (economic, environmental and social) clear and ensure, over time, that it is reflected in the price of the product
- Communicate openly with our supply chain, the local community, pressure groups and the wider public about the case for sustainable development
- Behave with honesty and integrity

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 in which we operate
- Undertake to be carbon restorative and minimize emission of other greenhouse gases
- Continuously improve our resource management, practice excellence in our management of water resources and reduce our waste generation; reduce and eliminate the use and release of pollutants wherever possible
- Lead the way in community watershed management
- Protect and enhance biodiversity in the countries in which we operate
- Demonstrate and promote sustainable pest and disease management, eliminating any negative impact on the environment

- Maintain soil health through sustainable agricultural practices and avoid soil degradation by taking measures to prevent contamination and erosion
- Demonstrate excellence in forestry management

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
- Demonstrate leadership in equal opportunity employment, thriving as an ethnically and culturally diverse company; encourage and facilitate female representation and the contribution of women to the business
- Reward our employees for achieving the company's business objectives
- Educate our employees on the values and principles of sustainable development

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, unions 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 to complement our sustainable development strategy. Group Indicators reported against are: EN3, EN4, EN8, EN10, EN15, EN16, EN23 and LA6. The report is 'in accordance' with the GRI-G4 Guidelines – Core.

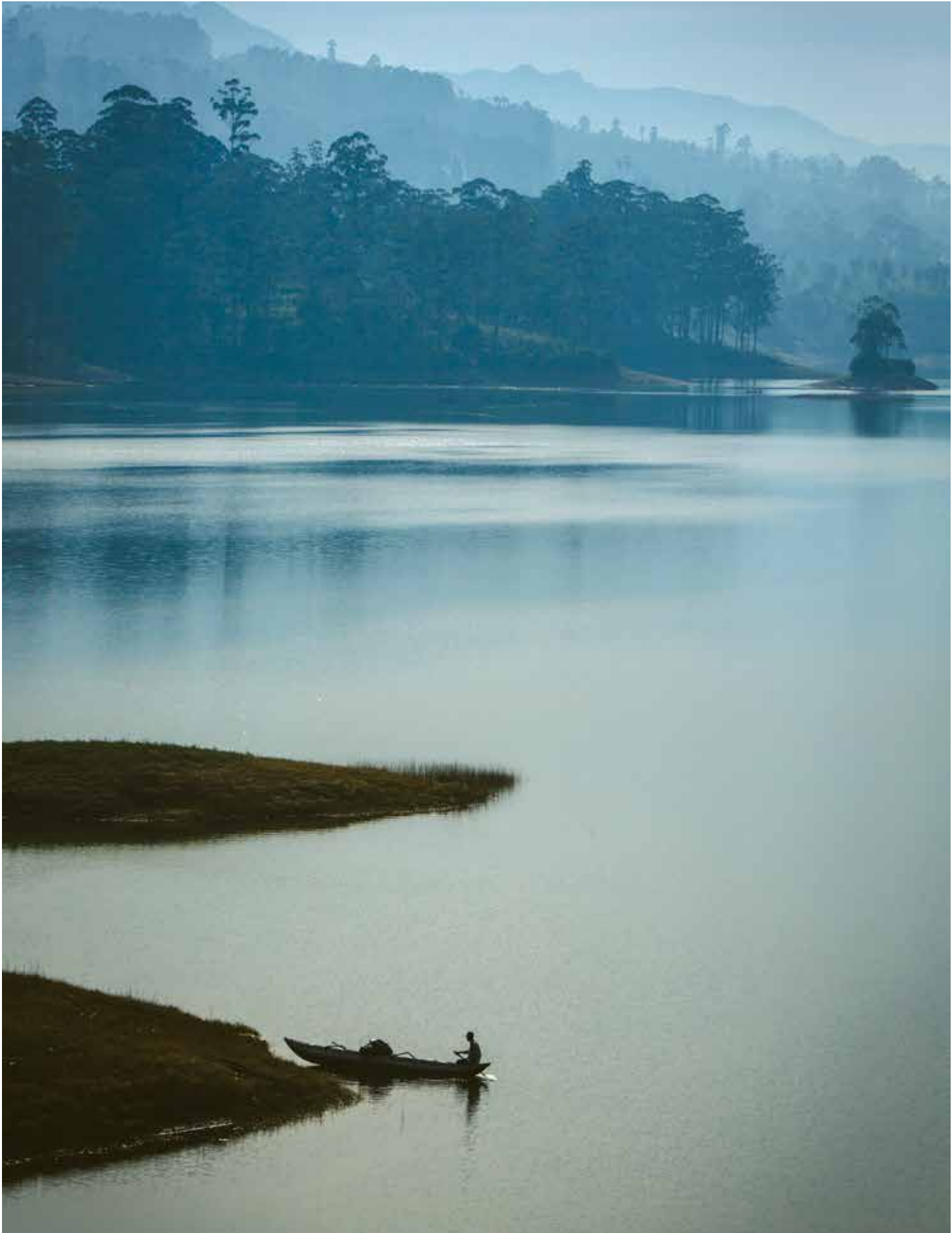
- Energy: continuously improve our resource management (GRI Indicators: EN3, EN4 EN6);
- Water: practice excellence in our management of water resources (GRI Indicators: EN8, EN10);
- Waste: continuously improve our resource management and reduce our waste generation (GRI Indicator: EN22, EN21);
- Carbon: undertake to be carbon restorative and minimize emissions of other greenhouse gases (GRI Indicator: EN16, EN18);
- Economic: demonstrate that it is more financially rewarding to be sustainable (GRI Indicators: EC1, EC3, EC8)
- Biodiversity (GRI Indicators: EN 11, EN 12, EN 13)

- People: to 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 2015/16 targets were set against available data. As data collation is being built up, it is unlikely that many of these will be achieved. As 2017 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 and Flexible. On an operational level the difficulty in getting metrics to reduce as the businesses change or adapt is an on-going challenge and a more complex story of trade-offs.





SECTION 2 ABOUT DILMAH

2.1 OUR CORPORATE PROFILE

Our Founder, Merrill J. Fernando dedicated his life to tea when in the 1950s, he saw the concentration of ownership in the tea industry in the hands of a few large corporations. This was leading to the commoditization of tea. He decided that in the interest of tea drinkers around the world, and the crop that his country produced with



so much care and artistry, he would fight this process. It took him nearly four decades and in 1988 he launched his own brand – Dilmah. Dilmah was the first producer owned tea brand, and offered tea ‘picked, perfected and packed’ at origin. Unlike the multi-origin blends that monopolized supermarket shelves, Dilmah brought tea that is freshly packed at source and therefore rich in flavor and natural goodness.

Dilmah is unique; a brand that is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service. This is what makes Dilmah the first ethically produced tea. In 2005, Merrill and his sons Dilhan and Malik, pledged to follow the principles dictated by the 12 Principles of Dilmah in every aspect of their business and in the conduct of their workers, staff and management.

At the Dilmah head office in Peliyagoda, 300,000 square feet of built up space on 4 acres, 1200 staff, over 70 advanced tea packaging machines and stringent quality assurance standards are employed to consistently provide the finest cup of tea. Dilmah is the only fully vertically integrated tea company with ownership of some of Sri Lanka’s finest tea gardens, modern factories, printing and packaging facilities and investments in every segment of the tea industry.

MJF Holdings Ltd. is the parent company of several businesses that have grown around Dilmah Tea, several of which are listed on the Colombo Stock Exchange.



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 CTS pertain to the following organizational structures.

- MJF Holdings Ltd - Parent company
- MJF Teas (Pvt) Ltd - 2nd level hierarchy
- Ceylon Tea Servicers PLC - 3rd level, - a subsidiary of MJF Teas (Pvt) Ltd.
- MJF Beverages (Pvt) Ltd - a subsidiary of Ceylon Tea Servicers PLC

2.3 GLOBAL NETWORK

Our primary markets are in 106 countries.

Total Group Sales of Ceylon Tea Services PLC: Rs 7,242 Million

- Total capitalization broken down in terms of debt and equity: Rs. 9,685 Million - (Equity only)

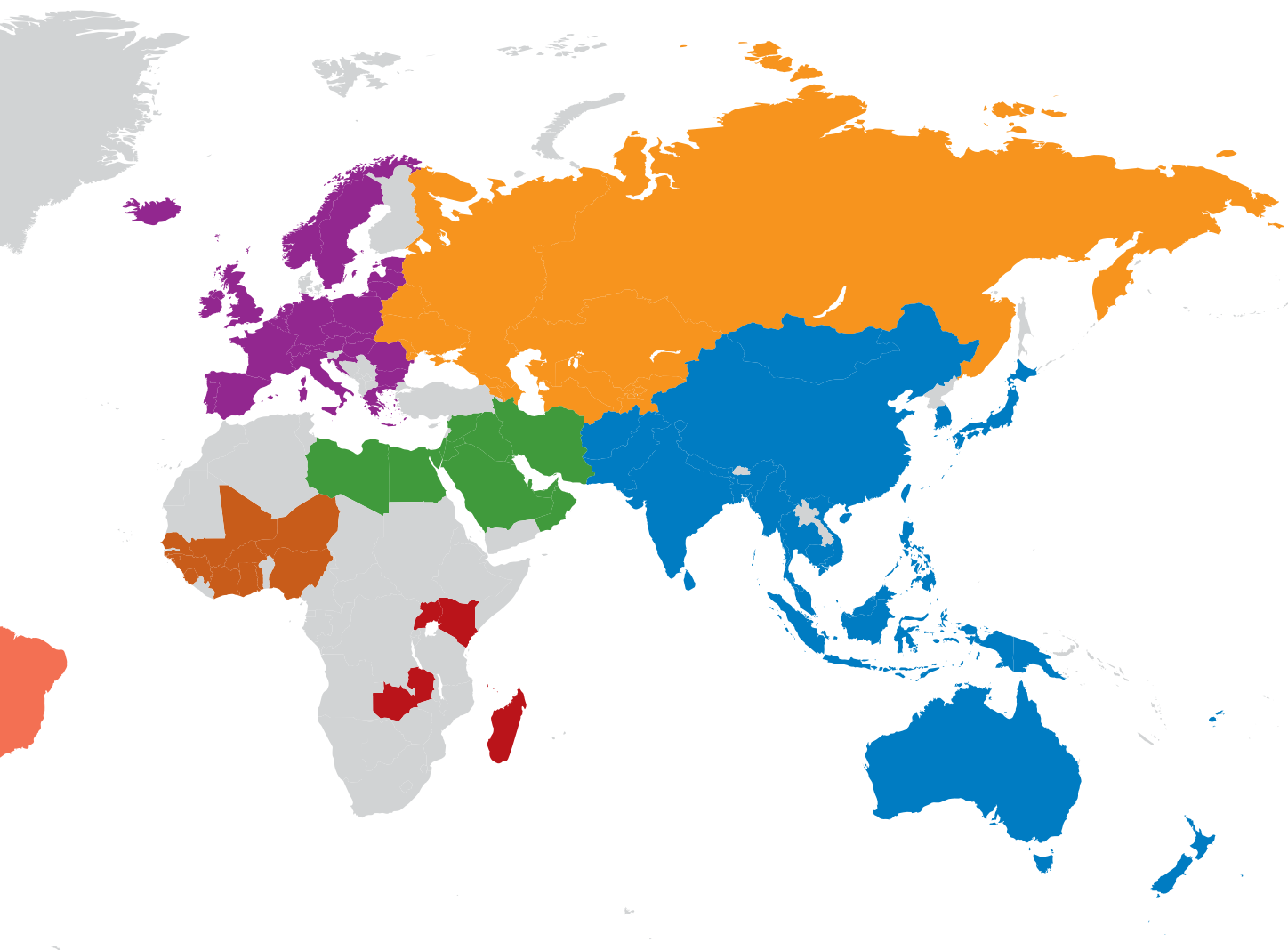
- Economic value generated Rs. 3.2 billion

- **Asia Pacific:** Australia, New Zealand, Fiji, Papua New Guinea, Indonesia, Singapore, Malaysia, Brunei, Philippines, Cambodia, Thailand, Vietnam, Taiwan, Japan, South Korea, China, Myanmar, Mongolia, Nepal, Bangladesh, India, Sri Lanka, Maldives, Pakistan, Afghanistan, Hong kong



■ NORTH AMERICA ■ SOUTH AMERICA ■ EUROPE

- **Middle East / Africa:** Iran, Iraq, Syria, Jordan, Kuwait, Bahrain, Saudi Arabia, Qatar, UAE, Oman, Egypt, Libya, Israel, Malta, Lebanon, Turkey
- **Europe:** Norway, Sweden, Estonia, Latvia, Spain, Italy, Lithuania, Poland, Czech Republic, Slovenia, Hungary, Romania, Bulgaria, Croatia, Slovakia, Germany, Austria, Switzerland, France, Belgium, Netherlands, United Kingdom, Ireland, Iceland, Greece, Portugal, Cyprus
- **CIS Region:** Russia, Ukraine, Belarus, Moldova, Georgia, Armenia, Azerbaijan, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan
- **South Africa:** Madagascar, Zambia, Seychelles, Kenya, Uganda, Mauritius
- **North America:** Canada, USA
- **South America:** Mexico, Chile, Trinidad & Tobago, Belize, Uruguay, Guyana, Guatemala,
- **West Africa:** Burkina Faso, Mali, Togo, Ghana, Ivory Coast, Sierra Leone, Nigeria, Guinea Conakry, Guinea Bissau





SECTION 3 PERFORMANCE REVIEW 2015/16

3.1 ENVIRONMENT

3.1.1 ASPECT: MATERIALS

EN1: MATERIAL USE

Ceylon Tea Services PLC, while engaging in blending, flavoring and packaging of tea for more than 100 countries across the world, uses many other materials in addition to tea being purchased at the auction. For the FY ending 31st March, 2016, whilst generating an economic value of LKR 3.2 billion, CTS discloses its use of CDs, DVDs, photocopy papers, printer toners and ribbons. It's noteworthy that material use is monitored annually and steps are brought into place for minimizing material use as a measure of sustainable use of resources. Moreover, CDs/DVDs are electronic waste and the presence of waste minimization measures is an indication of the sound sustainability practices at the facility. Paper use is directly related to harvest of trees as a raw material, hence the steps that are taken to monitor and reduce the use of paper for the operation of the organization not only reduces the cost of the operation, but also enhances the sustainability of the business.

G4-EN1 – MATERIAL USE BY WEIGHT OR VOLUME

Total economic value of CTS for the Financial Year 2015/16 – LKR 3.2 billion

Non-renewable material use

ITEM	USAGE IN UNITS
Toners	396
Ribbons	67
A4 Paper packs (500 sheets)	2,444
CD	605
DVD	73

Tea waste generation in production

MONTH	WASTE TEA GENERATION, KG
April	2,276
May	6,348
June	6593
July	11,851
August	4945
September	13,041
October	7,807
November	5,610
December	8,078
January	6,988
February	6,643
March	9,960
Total	90,140

HIGHLIGHTS

CTS has generated an economic value of LKR 3.2 billion for the FY ending 31st March, 2016 in comparison to the previous year's figure of 1.9 billion – an increase of nearly 70%.

1. For generating an economic value of LKR 3.2 billion, CTS has generated a total of 90,140 kg of tea waste.
2. 90,140 kg of tea waste was generated whilst processing 6,896,583 kg of bulk tea purchased from tea auctions, i.e. the wastage is just 1.3% of the tea purchased. It is also noted that the waste tea is not disposed of as a waste, it is reused for fertilizer or used as raw material for the manufacture of biochar which is a soil conditioner in estates.
3. Among other materials, more than 2,200 paper packs and 396 plus photocopy toners have been used. Material use is monitored and steps have been taken to minimize material wastage and use without compromising on operations.

TARGETS FOR 2016/17

1. It is expected to reduce the use of printing related materials through reducing wastage and encouraging the paperless office concept.
2. It is expected to reduce waste tea generation by a further 2%.

EN2: PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS

Tea being the primary product of CTS and in line with a high quality standard policy and in accordance with other international standards pertaining for food and beverage industries, no recycled materials are used for the main business as raw materials.

3.1.2 ENERGY (EN3, EN6)

In 2015 medium term targets were set for the period 2015 – 2017. These targets are measured using 2013/14 data as a baseline. Energy reduction in all businesses is key to better use of resources. Our vision at Dilmah is to be self-sufficient in electrical and heat energy, through renewable options, within the next decade

ENERGY USE AND SOURCES

For the FY ending by 31st March, 2016, CTS 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 balance energy is consumed for office functions.

EN3 – DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE

CTS uses a number of meters to measure electricity consumption. The energy being generated through the Solar Panels installed in the premises are directly passed onto the National Grid and relevant receivable income is deducted from the monthly electricity charges. Bearing the above fact in mind, the electricity consumption has been disclosed as 3,410 MWh which is the total energy consumption of the factory (**Table 1**). .

CTS invested in the largest privately owned solar panel in Sri Lanka by installing a 100 kW solar panel unit in 2013. Another 150 kW solar panel unit was installed in April 2016 within the premises. **Table 3** provides information on our energy generation through renewable sources.

Despite numerous measures adopted to reduce electricity usage, it is noted that consumption by the factory does not show any reduction. This is due to the processing of 504,277 kg of additional tea in comparison to the previous year's production.

Energy consumption, which was declared as 3,141 MWh during the previous reporting period has increased due to a number of reasons as enumerated below:

- During the previous reporting period, 6,392,396 kg of tea was processed at the factory. This figure has been increased to 6,896,583kg during this reporting period - with an excess of 504,277 kg. In order to increase the product output Dilmah purchased 4 twinkle machines for tea bag manufacturing which increased the output to 200 bags per minute.
- During the year 2015/2016 testing and implementation has been carried out on a new ERP system along with insulation. Computers within the production floor have therefore consumed more energy - thus adding an additional weight to the use of grid energy.
- Additionally during the reporting period, grid energy has been consumed in the construction of new hostel facilities to workers

EN6 - ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS

In line with the energy conservation policy of the company, CTS carried out several activities such as replacing existing incandescent lighting with CFL bulbs and LED bulbs with annual savings of approximately 185 MWh of energy. Please see the list of energy saving activities in **Table 2**

HIGHLIGHTS

1. During the Financial Year 2015/16, CTS has consumed 3,410 MWh of electricity for core production operations as well as for auxiliary functions, which is the same amount of electricity consumed in the previous year despite generating an additional 70% of economic contribution to the national economy. **(Table 1)**
2. With the energy conservation measures implemented during the FY 2015/16, approximately 185 MWh were saved.
3. Awareness programmes and other measures to increase the staff awareness on energy conservation have been continued from the previous year.

Table 1

METER	CONSUMPTION, KWh
CTS Factory , First & Fourth Floors of main Building , WH 3 & WH5	1,910,371
Warehouse 4 Building	684,265
Second Floor of the Main Building	43,147
Third Floor of the Main Building	80,129
Warehouse 2 Building	652,415
Female Workers Rest Room	39,878
Total	3,410,205

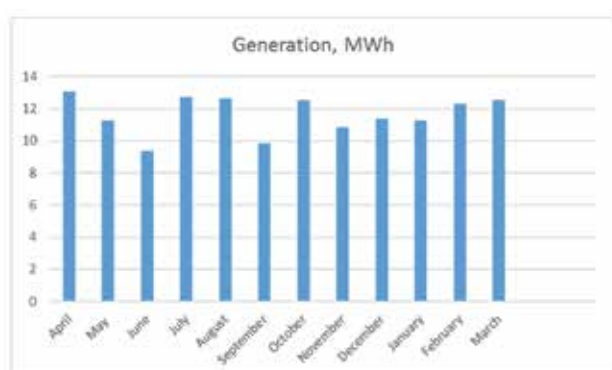
Table 2

ENERGY SAVING ACTIVITY	ENERGY SAVING, KWh
Replaced 40W incandescent bulbs at WH1 with 11W CFL(Wash rooms in CTS Building)	978.75
Replaced 250W High-bay lamps (Ground lights) by 80W CFL	4,675
Replaced WH4 High bay light 250w Sodium Vapour by 80W CFL	5,525
WH4 05 Nos. Security Light 250W Mercury will be replaced with 80W CFL.	2,125
Replace 500W Perimeter flood Halogen Lamps with 50W LED at WH03,WH04 loading bays & security huts near incinerator	10,688
Install power factor correction capacitor bank at WH1 3rd Floor	improve Power factor by 0.08 and reduce average maximum demand by 14kVA
Savings from change in Balast in Fluorescent. (Replaced magnetic balast with electronic balast. Magnetic balast running current 600mA , electronic balast running current 200mA)	161,000

Table 3 – Solar Energy generation

MONTH	GENERATION, MWH
April	13.075
May	11.246
June	9.373
July	12.751
August	12.638
September	9.848

October	12.557
November	10.825
December	11.379
January	11.268
February	12.298
March	12.55
Total	139.8



RENEWABLE ENERGY – HYDROPOWER GENERATION

Dilmah owned estates have started developing 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 a few programmes to enhance the energy use efficiency at tea factory levels. In the Black Tea Factories, we continue to replace our older less efficient boilers with new more efficient boilers and switch 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 2016/2017

1. Similar to previous year, CTS targets saving energy being consumed for processing tea and its other key operations through more energy efficient appliances and popularizing good practices in energy consumption.
2. In total, CTS has generated 140 MWh of renewable energy during the FY of 2015/16.
3. Further, CTS hopes to explore the future possibilities of increasing the renewable fraction of energy.
4. Increase the fraction of renewable energy through hydropower at tea estates. Increase expected renewable energy usage by a further 100% in the next financial year
5. 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 100%

3.1.3 WASTE (EN 23)

There are multiple waste categories being generated as a result of the operation of CTS. Key waste types include refuse tea, paper, polythene and composite polythene, perishable waste, wooden and plastic pallets including other things. As an ISO 14001 certified organization, CTS has taken actions to manage all these waste types in a responsible manner. In line with the international waste management hierarchy, waste reduction is a key concern of the organization. Introduction of several procedures

including minimal paper use, 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 or reused in a responsible and environmental friendly manner.

Indicator EN23 Total weight of waste by type and disposal method

The following waste types have been generated within the Peliyagoda facility and all categories have been disposed responsibly following the waste management hierarchy.

As much as possible, waste generation was reduced through reduced use of materials and optimizing the 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. With this objective, much of the biodegradable and certain types of non-biodegradable waste types were reduced at different places. Paper/cardboard, non-composite polythene, glass, e-waste have been sent out for recycling and material recovery.

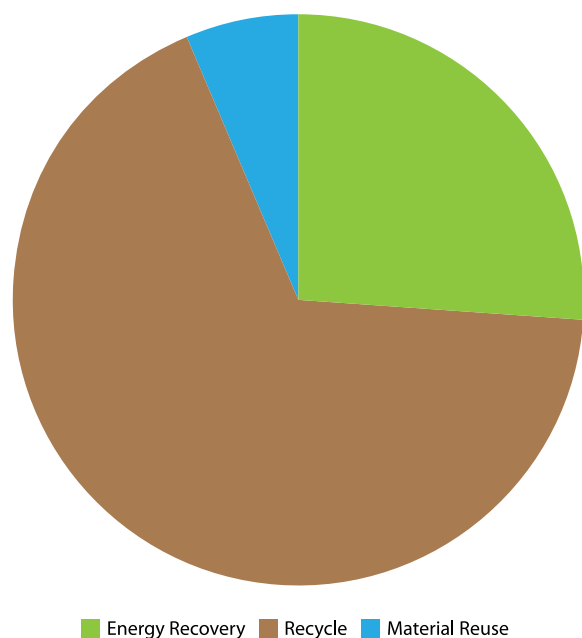
The remaining waste that could not be recycled have been sent to Holcim Lanka, Geocycle facility for energy recovery.

WASTE TYPE	AVERAGE GENERATION	DISPOSAL METHODOLOGY
Tea waste	90,140 kg / annum	Composting, converting to biochar
Paper waste - office	117 kg/month	Neptune Recyclers's Limited/ Imam Recyclers Ltd
Empty Paper sacks	6,884.7 kg/month	Neptune Recyclers's Limited/ Imam Recyclers Ltd
Empty paper cones	1,388 kg/month	Neptune Recyclers's Limited/ Imam Recyclers Ltd
Cardboard	7.777 kg/month	Neptune Recyclers's Limited
Printed foil, BOPP	274 kg/per month	Geo cycle (Pvt) Ltd – Holcim Lanka Ltd
Inner/Branded items	1,960 kg/month	Geo cycle (Pvt) Ltd – Holcim Lanka Ltd
Waste Polythene/Foil scrape	4,218 kg/month	Geo cycle (Pvt) Ltd – Holcim Lanka Ltd
Other plastics	Variable, 180 kg/month	Neptune Recyclers' Limited
Glass	Variable 30 kg/month	Recycling facility of Ceylon Glass Company
Waste bulbs	About 137 bulbs/month	Asia Recycler's – Orange Bulbs
Lunch sheet	400 sheets/day	Washed and recycled at CEA approved facility at Wattala.
E-Waste		
Monitors	37	Disposed through a licensed collector – Greenlink Lanka Ltd.
CPUs	26	
Servers	01	
Printers	07	
Scanners	04	
UPS	04	
Power Supply	03	
External Storage	05	

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 2013/14. However, commitment of the management and employees for reducing waste came into the 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.

For the next FY of 2015/16, the following targets have been set.

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



3.1.4 WATER (EN8, EN10, EN 22)

The key uses of water for the operations 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, female canteen with a head count of 700, and hand washing area in WH 02 and Production Workers' canteen.
4. Research on biochar applications within tea plantations is gaining prominence at Dilmah Conservation, which is the conservation and sustainability arm of 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.

EN8 - Total water withdrawal by source.

Water is used for employee sanitary functions and equipment washing, in addition to store cleaning functions. Freshwater, extracted from deep wells and NWSDB are only used for washing and drinking purposes. The total water use by NWSDB is 21,982 m³

The distribution of usage is as follows.

LOCATION	USE (m ³)
Main building	11,155
Ware House 4	5,666
Female Canteen 1	1,082
Female canteen 2	4,079
Total	21,982

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 being carried out to investigate the environmental impacts on water resources within the Group and improving the water quality and quantity being used.

TARGETS FOR NEXT FY 2015/16

1. It has been planned to install sensor taps for showers in Workers' canteen.
2. It has been planned to expand the biochar applications in tea plantations in order to reduce the crop water requirement and save soil water.
3. In the CTS premise Peliyagoda, awareness sessions on water conservation and monitoring of water use is continued so that waste of water will be reduced and water resources will be conserved.

EN22 - Total water discharged by quality and destination.

As mentioned under Section 3.1.4, CTS generates a total quantity of waste water of 60 m³/day. No used water is discharged without treatment and all waste water from canteens, washing areas and washrooms are treated at an effluent treatment plant and sewage treatment plant. The final quality of the treated water is well within the Central Environmental Authority stipulated criteria for reusing or discharge.

The treated water is used for toilet flushing and gardening. Whenever there is an excess of total recycled water, it is discharged to the Kelani river with frequent monitoring of water quality in keeping with stipulated national standards.

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 performed at Dilmah in 2012 shows that their carbon footprint in tons of carbon dioxide equivalents (tCO₂e) was a total of 2,480.39 tons for the Peliyagoda premises.

Accordingly, the GHG inventory for the Peliyagoda premises was verified 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).

Greenhouse gas (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 Air 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 Action3: 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 a couple of offset strategies

Offset strategy 1: Reforestation or afforestation

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

In accordance with the strategies and the mitigation activities planned, the following activities were implemented during the Financial Year 2015/16.

2015/16 HIGHLIGHTS

1. All new constructions are carried out as per Green Building Council practices guidelines
2. A policy has been established for air travels with the view of restricting carbon emissions
3. An energy efficient transport policy has been adopted
4. A resource optimization programme to reduce waste generation during operations and activities of the company has been introduced
5. Energy efficiency improvements of the plant was carried out
6. Substitution by fossil fuel energy generation with another 150kw solar panels in addition to the existing 100kw solar panel

TARGETS TO BE ACHIEVED IN 2015/16

- Renovations of an old hydropower plant (70kW) at Creighead Estate with the view of generating carbon free energy
- Plans to commence a mini hydropower plant of 50kW in Queensbury Estate
- Plans to advance the Carbon Neutral plan by a year by purchasing CDM carbon credits through the Sri Lanka Carbon Fund to achieve the carbon neutral status within year 2016/17

- However Carbon credits will be collected through its own credits at the end of 2017 as planned.

- A new carbon audit will take place in 2016 (3rd Quarter) with a view of becoming neutral by end of the year.

3.1.6 BIODIVERSITY – EN 11, EN 12, EN 13

BIODIVERSITY CONSERVATION IN HUNUWELA ESTATE

Together with IUCN, International Union for Conservation of Nature, Sri Lanka, Dilmah Conservation has embarked on a journey to conserve the treasure trove of biological diversity that was discovered in a tea estates owned and managed by Dilmah by improving the overall ecological integrity and watershed services of the natural areas within the estate.

The Hunuwela Estate, located on sloping lands between the towns of Opanayake and Pelmadulla in the Wet Zone of Sri Lanka, functions as an important repository of Sri Lanka's biodiversity. A five day biodiversity survey that was conducted here revealed that a total of 282 species of flora, including 21 endemics and 15 nationally or globally threatened species, and 214 species of fauna, including 37 endemics and 13 nationally threatened species resided on the estate. In addition to this a significant discovery was made as the estate was also home to two highly endangered (both nationally and globally) species of dragonfly – the Rivulet Tiger (*Gomphidia pearsoni*) and Wijaya's Scissortail (*Microgomphus wijaya*). Along with these two species of dragonfly, a number of other species at Hunuwela estate were sighted here for the very first time in this region of the country. Therefore, conservation of the natural and semi-natural habitats of the estate is paramount for the long-term conservation of Sri Lanka's biodiversity.

Extensive conservation activities – restoration, enhancement and management of watersheds, improvement of water flow in streams, as well as strengthening and enrichment of riparian and riverine vegetation – were conducted to conserve this rich biodiversity, primarily the two dragonfly species threatened with extinction. These activities were followed by awareness raising programs which were conducted to target key stakeholders including Hunuwela estate staff, local community, local government officials and school children. Various awareness materials were also created to be disseminated among stakeholders.

Motivated by the success of these initial interventions, Dilmah Conservation and IUCN Sri Lanka aim to continue and upscale these conservation efforts by moving forward with 'Phase Two'. Within the next couple of years physical interventions will be conducted within the estate to enhance watersheds found within, including construction of check dams, retention ponds, and wetlands. Ecological restoration work will also take place through continued habitat restoration and the establishment of a plant nursery and

planting work, as well as through improved connectivity between natural areas.

Additionally, long-term plans will be developed to establish riparian buffer zones. DC and IUCN Sri Lanka will also continue to carry out periodic collection of ecological data as well as regular awareness raising programs. Work is also underway to promote responsible tourism and recreational activities, along with the establishment of an educational nature trail in order to minimize damage done by local and foreign tourists.

APPLICATION OF BIOCHAR AT RILHENA AND ENDANA ESTATE



Biochar, a stable form of carbon which is rich in nutrients, is considered to be a multi-beneficial soil conditioner that is produced from the pyrolysis of biomass (EG: tea waste). This ability as a soil conditioner stems from its great potential to absorb toxic substances and restore and revive contaminated environments.

Application of biochar to the soil greatly improves soil functions. A few of these agronomic benefits include improving absorption and retention of nutrients and water into soil, decreasing the soil's acidity and the uptake of toxins, and increasing the soil microbial diversity. In addition to these, biochar also helps reduce the emissions from biomasses that would otherwise degrade into non-CO₂ greenhouse gases such as methane (CH₄) and Nitrous Oxide (N₂O). According to previously conducted studies, in theory, 12 percent of global green-house gas emissions could be offset by producing biochar.

With tea being one of the main export oriented plantation crops, improvement of soil conditions in estates has become increasingly required with regard to many aspects. Years of neglect due to poor management practices have created unsustainable and unyielding estates. The application of chemical fertilizers have led to certain issues related to soil properties arising, for

example, microbial growth issues, pH changes, water quality deterioration and so on.

In light of this, Dilmah Conservation initiated a research study to be carried out in the tea plantations to address and mitigate this present situation. Through this experiment, which was implemented in March 2016, Dilmah Conservation hopes that the deteriorating soil conditions in many Sri Lankan tea plantations may be addressed with the proposal of good agricultural practices as a sustainable solution to this.

The aim of this research is to reduce fertiliser and other artificial inputs by at least 50 percent while increasing the productivity of the land by at least 50%. The first site for the biochar application was at the Rilhena Estate, Kahawatte Plantations, chosen for its different agronomic and climatic conditions. At present, research is being conducted at the Endana estate. More specifically, this research conducted by Dilmah Conservation expects to evaluate the potential usage of biochar as a multi-beneficial soil amendment, so as to be incorporated in tea fields to increase yield and quality of tea.

The objectives of this research are as follows:

Overall

- To evaluate the usage of biochar as a potential soil conditioner in tea cultivation.

Specific

- To evaluate the effect of biochar on yield and quality of tea.
- To evaluate the effect of biochar on dynamics of soil properties.

Following the findings of this research study, Dilmah Conservation hopes to open the doors to understanding whether the suggested amendment, biochar, is suitable for enhancing the yield and quality of tea while promoting soil conditions, under the given conditions. This outcome of the study will also be presented in a scientific forum, possibly to result a scientific communication/s in a peer reviewed journal.

PUBLICATION: A GUIDE TO ECO-FRIENDLY HOME GARDENING

The significance of home gardening can never be overstated. This traditional agricultural practice promotes a healthy lifestyle among society through the use of available space around households for growing food that is free from harmful agrochemicals used by many

commercial farmers. Along with it being a healthy lifestyle choice it is also an extremely economical one. Overall, the direct impact of home gardening is in improving the food security of families while also increasing their purchasing power.

More importantly, it offers numerous benefits to the planet as a whole.

- Promotes a sustainable life by helping reduce a family's carbon footprint
- Protects the environment from harmful chemicals used in pesticides, herbicides and fertilizers
- Absence of fossil fuel-based chemical fertilizers in home gardens builds healthy soil that helps trap carbon dioxide and keep it out of the atmosphere.
- Helps to reduce waste pollution
- Promotes the reuse of material that would otherwise be thrown away, bringing about benefits such as less plastic in landfills.
- Creation of healthy ecosystems that support life within the garden spaces

Dilmah Conservation embarked on publishing this book, authored by W. Sarathchandra Fernando, to provide assistance to those who hoped to reap the maximum benefits of this practice while also helping them to make their own contribution to safeguarding the environment, thereby enabling citizens to become a part of the solution rather than the problem in environmental degradation. The publication is a part of a wider effort that also consists of the Dilmah Conservation Sustainable Agriculture Research Center (DCSARC) in Moratuwa that has developed proven methods in urban home gardening methods.

Through this publication, Dilmah Conservation hopes that readers will be motivated and inspired to start their own home gardens and contribute in their own small way to a better, healthier lifestyle and a safer environment.

COMPENDIUM OF BEST BIODIVERSITY PRACTICES – PLANTATIONS SECTOR

The tea industry initiated by the British continued to grow with the brand name “Ceylon Tea” over the past century playing an important role in our economy, being the biggest provider of employment, export earnings and major component of the government revenue.

However, the industry has destroyed vast areas of valuable forests and ecosystems in Sri Lanka and the

destruction continues as a result of unsustainable “old-school”, conventional cultivation practices. New cultivations demand deforestation and as a result, give rise to environmental issues such as soil erosion, threatened water security and loss of biodiversity as a result of forest fragmentation. Excess use of chemical fertilizer and other agro chemicals have created multiple environmental and health issues. The industry has also faced various issues due to environmental impacts, continuous increase of the cost of production and reduced productivity in the plantations.



Despite this predicament, there are many success stories from the plantations sector which aim to overcome these issues and to make the tea business sustainable by giving significant attention to environment, biodiversity, economy as well as the social aspects. These best practices are experimental to the owner but serve as a learning campaign with proven results to the industry, as a whole.

The compendium will address the problem of the lack of media available to communicate the best practices among the fellow members in the industry as well as the lack of attention given to these successful best practices by the governmental authorities in order to make them available as learning opportunities to other members in the industry and give recognition to the practitioners both nationally and internationally.

This compilation of success stories/best practices of the tea plantations will be presented in a compendium filled with learning outcomes, appreciation and new hopes for sustainable agriculture in our plantation sector, which look at environmental responsibility, biodiversity conservation, as well as economic and social sustainability with the objective of communicating these best practices to not only the plantations sector but the country, as a whole.

Title- Worth Protecting; How Sri Lanka's tea plantation companies are helping biodiversity thrive

THE MJF ECO-INNOVATION AWARD

The Merrill J. Fernando Eco-Innovation Award was initiated with the vision of establishing and promoting Eco-Innovative development in Sri Lanka. Innovation is the key to growth and to managing the humanitarian and environmental challenges we face.

Sri Lanka has all the ingredients necessary to support a more sustainable alignment of overall development as a nation; not only is the island rich in biological diversity, it also has an inexhaustible pool of historical and cultural heritage, knowledge and intellectual ability, creativity and commitment. Recognizing this, Dilmah Conservation took a definitive step in providing the innovative minds of the country, who may lack the means of developing their concepts and proposals, the support they require.

The objectives of the award are as follows:

Overall

- To support, strengthen and promote eco-innovation in Sri Lanka, specifically, to facilitate eco-innovations in the market
- Unleash the creative mind to address national and emerging environmental problems through innovation and enterprise

Specific

- To highlight and position environmental innovation in the mindset of the Sri Lankan public and the corporate sector via a country wide awards program
- To encourage individuals to explore new ideas and develop novel business pathways
- To provide support and an opportunity for all eco-innovators to compete on a level playing field
- To ensure “Concept to Market” by enabling formal linkages between eco-innovators and the business community
- To provide Sri Lankan eco-innovators with a platform to international markets

The Award, which was launched in January 2016, welcomed Sri Lankans of all ages to submit proposals for innovative and breakthrough concepts and prototypes that seek to solve current national and global environmental issues under the sectors Waste, Biodiversity, Water, Energy and Blue Economy. Numerous applications were sent in by citizens of all ages and the assigned panel facilitators – respectively, Dr. Sumith Pilapitiya, Professor Sarath Kotagama, Mrs. Shiranee Yasaratne, and Professor Ajith De Alwis – together with

an expert panel have shortlisted the candidates down to 27. These candidates will be interviewed after which 10 finalists will be selected. Mr. Merrill J. Fernando, founder of Dilmah Tea will select the two overall winners of the award.

With the aim of benefitting both the innovator and the country, this award will not just appreciate an innovation but will facilitate its incorporation into society. For this purpose, Dilmah Conservation has allocated a fund of LKR 10,000,000/= to provide the winners with the guidance and support necessary to develop and commercialize their innovations.

Through this initiative, Dilmah Conservation hopes to inspire the people of Sri Lanka to create and implement unique, eco-friendly and sustainable solutions that will carry the country and its people into a prosperous future.

3.2 ECONOMIC CONTRIBUTION (EC1, EC3, EC8)



Dilmah, as in the past years, is very much 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 in dealing with sustainability issues; we need to share knowledge and engage with the communities within which we operate. This will benefit our customers, suppliers, communities and society in general.

Our economic contribution includes direct employment, buying from local, regional and global suppliers and the distribution and retailing our products, foreign exchange inflows to the country and revenue to the Government. The company always looks around the latest and advanced technology in value added tea manufacturing industry and invests to bring such technology into the country.

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 2016, the Company generated Rs. 3.2 billion in economic value, of which the majority was distributed through the course of our business to our employees, shareholders, suppliers and governments as well as to local communities through our sustainable activities. The balance was retained for expansion and growth of the company which is evident by the expansions that are in progress. These activities in turn will add further value to the cause in years to come.

We look for opportunities to work collaboratively with smallholders in many markets and our projects involve a large number of smallholders. 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 activity, logistical support and essential farming expertise and good agricultural practice.

- Total Group Sales of CTS Rs.7.24 billion
- Total capitalization broken down in terms of debt and equity Rs.9.7 billion, (Equity only)
- Economic value generated Rs. 3.2 billion



ECONOMIC PERFORMANCE

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.

DISTRIBUTION CATEGORY	LKR 000'S
To employees	760,685
To capital providers	400,000
To Government	215,115
To lenders	12
Donations & other community Investments	212,207
To business expansion & Growth	1,629,372

EC3: COVERAGE OF THE ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS.

	RS. 000'
As at 31st March 2015	118,111
Interest Cost	11,810
Current Service Cost	10,248
Actuarial Gain	(8,843)
Benefits paid	(13,519)
As at 31 st March 2016	117,807

INDIRECT ECONOMIC IMPACTS

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 garnering indirect economic impacts 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.

Sustainability	75%
Biodiversity Conservation	11%
Education and environmental awareness	12%
Heritage protection	2%

3.3 OUR PEOPLE (LA1; LA2; LA3; LA6; LA8; LA10, LA11, LA13, LA15)

POLICY



Our policy remains the 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.

3.3.1 EMPLOYMENT

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

Employees:

Our work force in the Dilmah facility of 1,054, drives the success of Dilmah. They continue to demonstrate their commitment and determination to increase productivity, growth and operational efficiency.

MALE	FEMALE	TOTAL
549	505	1054

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

Employees of Dilmah facility consist of:

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

EMPLOYMENT CADRE	AS AT 31ST MARCH 2016
Chairman & Executive Directors	05
Managers & Executives	157
Clerical & Allied	168
Workers - Permanent	522
Workers - Casual Production	195
Casual Others	10
Total	1,054

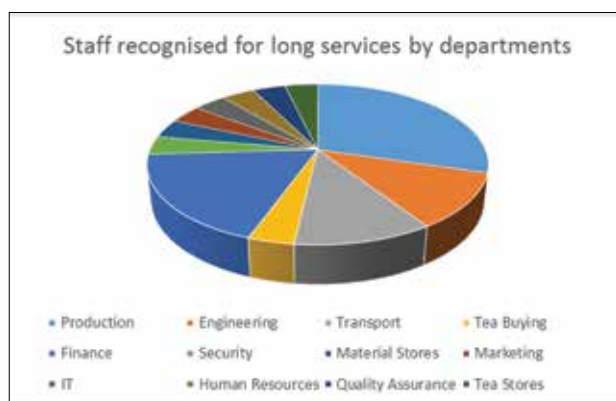
LA2: BENEFITS PROVIDED TO FULL TIME EMPLOYEES

RECOGNITION OF LONG SERVICE OF EMPLOYEES



Dilmah continues to recognize 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. In the year we have had, 10 recipients of awards for reaching 25 years of service, another 13 recipients reaching 20 years, and 04 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. The recipients of awards under this category show their immense commitment to the growth of the business.

In terms of the distribution of 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.



LA3: 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. Cumulative value of loans disbursed stands at Rs 7,055,000 - in the year 2015/16.

Employees below a specific income level can avail themselves of a subsidized food parcel of dry rations, 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 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, 880 students in the grade 1 received bags on 01st January 2016.

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.

AWARD CATEGORY	NUMBER OF RECIPIENTS
10 years	10
20 years	13
25 years	04

25 Years - 4 recipients, 20 Years - 13 recipients 10 Years -10 recipients,

Production - 8 recipients, Engineering - 3 recipients, Transport - 3 recipients, Tea Buying - 1 recipient, Finance - 5 recipients, Security - 1 recipient, Material Stores - 1 recipient, Marketing - 1 recipient , IT- 1 recipient , Human Resources - 1 recipient , Quality Assurance - 1 recipient, Tea Stores - 01

DEPARTMENT	NO. OF RECIPIENTS
Production	08
Engineering	03
Transport	03
Tea Buying	01
Finance	05
Security	01
Material Stores	01
Marketing	01
IT	01
Human Resources	01
Quality Assurance	01
Tea Stores	01

3.3.2 EMPLOYEE RELATIONS AND COMMUNICATION

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

LA6: EMPLOYEE HEALTH AND SAFETY

Health and Safety are key areas, 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 minimum. The services of a Doctor are available at the Medical Centre located at the company premises once a week and any employee may avail of this service. Prescribed medicines are also provided 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

LA8: EMERGENCY PREPAREDNESS

- The company has laid down procedures and practices to ensure the safety of employees and property in emergency situations.
- There are monthly trainings sessions for the staff of the Security Department on 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 abide by the safety and health guidelines stipulated by McDonalds food chain and in 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.

3.3.3 TRAINING AND EDUCATION

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.



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 behavior. Salary increments are thereafter based on the performance review ratings.

3.4 SOCIETY

Driven by a philosophy of making business a matter of human service, the objective of the MJF Foundation is to ensure that benefits from the success of Dilmah and its unique business model are shared with the plantation industry, its workers and their families as well as with the wider community and the environment. The Foundation was established to ensure that these endeavors were managed in a focused and business-like manner, respecting the dignity of the beneficiaries and devising innovative and efficient means of empowering the underprivileged.

The MJFCF efforts are focused on long term, sustainable interventions founded on empowerment and the dignified partnership of beneficiaries. This demands a more onerous evaluation and management process. 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 poorest districts and regions.

This approach has proven to be effective in preserving the dignity and sustainability of programmes, allowing beneficiaries to take ownership more easily and assume responsibility for their development.

The work of the Foundation demonstrates the philosophy of making business a matter of human service. Its intervention's support and assistance has changed the lives of over 100,000 individuals directly and indirectly. It is also a tribute and a symbol of appreciation to the millions of Dilmah consumers around the globe who are also partners in the MJF Charitable Foundation.

2015 saw the emergence of our dedicated Centre for Dignified and Sustainable Empowerment at Moratuwa with the inclusion of the Culinary Training Centre to the already existing facilities, such as Graphics training, Carpentry, Organic gardening, Sewing and cookery, for special needs children and mainstream children from under privileged families.

Apart from its own Moratuwa Centre, the Foundation also commenced work on the National Centre for Children with Cerebral Palsy and other Developmental Disorders at its own premises at Ambagahawatte which will be optional from June 2016 and the new Administration block for the Kayts hospital in the North which will be opened in July 2016. 2 other Centres to replicate the Moratuwa Centre, in the north (in Palai) and the east (Kiran), will commence operation in 2017. The MJF Sithijaya Centre for the differently abled in Ambalantota provides learning and therapy for special needs Children and is managed through the Divisional Secretariat Ambalantota. An MJF Kids programme for children from underprivileged homes provides holistic developmental opportunities at their Centres at Peliyagoda, Pallansena and Siyambalanduwa, Uda Walawe, Pahalalanda in Ampara and Point Pedro.

The plantation sector programme continued to provide the necessary early childhood care and development and nutritional support to nearly 2000 children in the 91 Plantations CDCs and it also provided educational support to the children of plantation workers for the past 10 years. In addition the Foundation also supports the housing development programme for workers on its own estate in Dunkeld. In addition, 2 IT Centres were also established in 2 estates of Kahawatte Plantations in Nawalapitiya.

Our emphasis on instilling hope where there is hopelessness delivered very positive results with the Small Entrepreneur Programme which was commenced in 2006 and the programme continues to touch the lives of the underprivileged in a tangible and dignified

manner. The number of beneficiaries as at 2015/16 is 1503. The Foundation will continue to focus on taking the best examples of SEP and harnessing their potential in a broader manner to derive large social impact.

MJF KIDS PROGRAMME



The programme supports nearly 240 kids on a daily basis with school and extracurricular activities providing holistic development initiative to the kids by focusing more attention on extracurricular activities such as carpentry, cookery, puppetry, yoga, sign language, music and dance, scouting and guiding, swimming and awareness programme on environmental conservation in addition to supporting them with main school curricular subjects as well at our main Centres at Moratuwa and Peliyagoda. The Centres at Pallansena, Point Pedro and Siyambalanduwa and Uda Walawe focus mostly on the school curricula activities for nearly 800 kids on a daily basis. The Pahalalanda Kid programme was commenced in February 2016 and a dilapidated old Pre School in Koul Ara off Udawalawe was transformed into a state of the Art School of Inspiration in March 2016.

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 of identifying and addressing community need by these Kids.

As in the past, the Kids also commemorated special events namely 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. These events were made even more significant as it also provided opportunities for the special need kids at the Rainbow and CP Centres at Moratuwa to join hands with their able peers and perform together under the theme "Celebrating Differences".

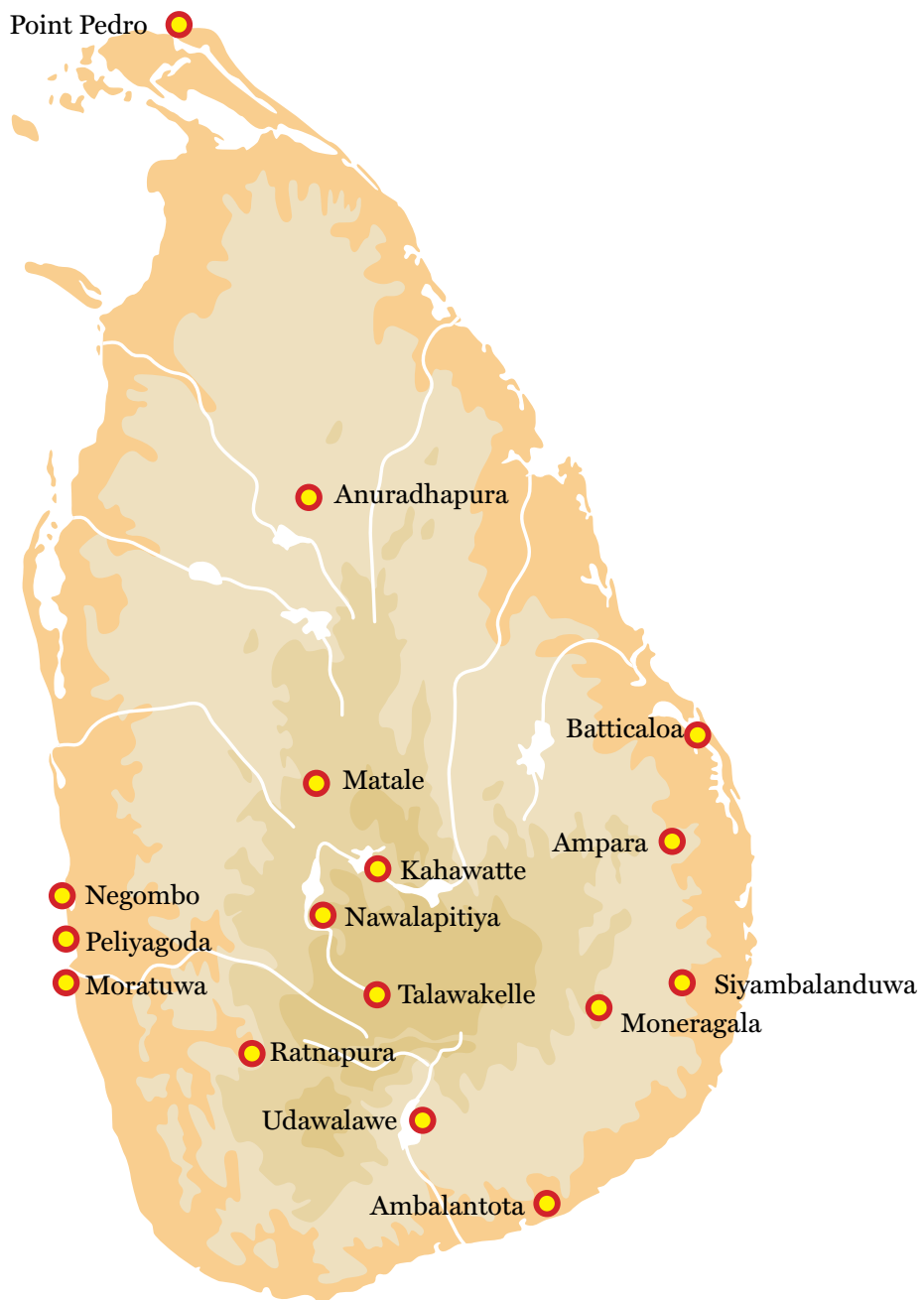


Table 13: MJF kids programmes in summary

	ON ROLL	AVERAGE DAILY ATTENDANCE	NO. OF INSTRUCTORS	FREQUENCY OF SESSIONS
Peliyagoda	130	80	24	daily
Moratuwa	120	50	24	daily
Pallansena	50	40	08	daily
Dhiriya - Siyambalanduwa	250	140	10	daily
Point Pedro	300	190	22	daily
Uda Walave	35	32	3	daily
Koul Ara	35	35	2	daily
Pahalalanda	81	60	6	daily

COMMUNITY HEALTH PROGRAMMES

Eye care Mobile programme for elders

MJFCF facilitated a mobile medical and Eye screening programme through the MJF Saddhasarana Elders home in Pitipana for the inmates of the home and elderly women living in the vicinity of the home on 7/12/15. There were 152 elderly persons who attended the programme with 96 for eye testing and 60 for general health checks. Of those who were screened, 56 were identified for bifocal glasses and 6 for reading glasses, they were provided with spectacles on 15/2/2016. A further 26 were found to be needing cataract surgery and they will be taken to the Help Age Centre in Colombo 6 for their free cataract surgery.

Another programme for Elders at Moratuwa was held on 16/12/2015 where 159 persons attended. Of them 76 were for general health checkup (23M and 53F) and 83 (29M, 54F) were for eye checks. 56 were identified for Bifocal lenses which they will received through the Centre in February 16. Two persons received reading glasses.

SOUND CONTROL ROOM FOR THE LAMA SAVIYA PROJECT AT THE COLOMBO NORTH TEACHING HOSPITAL

The foundation donated the equipment to the value of Rs, 760,000/00 to the Colombo North Teaching Hospital in Ragama for Lama Saviya Project.

LIVELIHOOD AND EMPOWERMENT – THE SMALL ENTREPRENEURSHIP PROGRAMME (SEP)

The SEP programme progressed to its 9th since inception in 2006. This programme empowers small entrepreneurs to progress to the next level through material grant and knowledge enhancement.

Apart from supporting rural communities, the programme has supported a special programme for Prisoners on parole to get back into their normal lifestyles through the SEP grant programme and also a programme specifically addressing the needs of the War widows in the North and East. The programme has also extended support to rehabilitated former cadres and also members of the Colombo Friend in Need Society who are all physically disabled due to injuries or by birth.

194 new SEP grants were distributed in 2015/16 and the current number of beneficiaries in the programme stands at 1503 as below.

BENEFICIARY GROUPS	NUMBER OF BENEFICIARIES
War Widows	531
Prison SEPs	224
Rehabilitated Youth	35
Members of the Colombo Friend in Need Society	38
Others	675

In addition, a community based (Gemi Aruna Krushi Nishpathana Samithiya) Orange and Pineapple cultivation project in Pahalalanda in Ampara, which was commenced in early 2011, was further strengthened through the years and currently it operates as an independent community based organization with over 120 members. It was on the initiative of the Society that MJFCF commenced a new MJF Dhiriya Centre at Pahalalanda in January 2016. This Centre will provide opportunities for the Kids at Pahalalanda with school curricular and extra curricular support and also vocational training for the community especially the women in Pahalalanda in palm weaving, coir products and jaggery production.

Donation of school uniforms to children affected by the conflict in the east



In addition to providing shoes to 1,250 schools Kids attached to 17 under developed schools in Thoppigala in 2012, the Foundation also distributed 2,150 uniforms for the students in the 17 schools in early 2013 and subsequently extended this to a further 4,005 students in 23 badly affected and under developed schools in Vavunativu and Kokkatcholai in the east during the 4th quarter of 2013 and early 2014. This was a most deserving initiative to these students most of whom were absent from school merely for want of a 2nd uniform. In

further expanding this initiative, 4312 uniforms were distributed in 2015 to 25 Schools in the Vellavaley Education Zone in Batticaloa. A total of 11,717 school children have been provided with School uniforms in 82 schools in the remote suburbs of Batticaloa districts since 2012.

THE PLANTATIONS PROGRAMME



Having completed most of the infrastructure needed on the plantations, the project activities conducted in the plantations in 2012/13 MJFCF 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 for plantation children and supporting the health care services in the plantations of MJFCF with particular reference to Dunkeld estate of the MJF Group.

Through these initiatives nearly 1500 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 and the CDC on Dunkeld estate. .

Nearly 850 Kids who move to Government School Grade 1 from the CDCs every January receives a school bag and accessories to commence their schooling period. Every year nearly 1000 kids have been benefited through this initiative since 2006, thus providing the Kids with a small token of appreciation for being in the Plantation CDCs from almost 6 month of age till they reach 5 years of age on one hand and relieving the parents of an added expenditure of providing a school bag for their children when they commence their schooling life on the other.

The CDC Kids summary is appended below

	ESTATE COVERED	NO. OF CDCS	CHILDREN'S BENEFITTED
Mid day meals	32	96	1500 annually
School bags for Grade 1s	32	96	850 annually

The educational scholarship programme for A/L and University studies for children of plantation workers, which commenced in 2004, currently supports 318 scholarships. Of this 172 scholarships are for University education which includes 3 in the Medical Faculty. Already 2 have graduated from the Medical Faculty of the Rajarata University and are now MBBS Doctors practicing at the Teaching and General hospital in Badulla. Anuruddhika took her oaths in December 2012, after having obtained a second class upper at the final exam at the Faculty of Law she is attached to the Attorney Generals Department as a State Counsel. Her younger brother Koshala, who also obtained a scholarship grant through the MJFCF, is now an Engineer at the CEB.

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

	TOTAL SCHOLARSHIPS	UNIVERSITY SCHOLARSHIPS
KWPL	46	28
EPL	125	76
TTEL	110	60
OTHERS	37	8
TOTAL	318	172

Yasiru R Ariyawanse from Deviturai estate of Elpitiya Plantations PLC gained admission to the Engineering Faculty in Moratuwa and N Theebaruban from Dunsinane estate, also of Elpitiya Plantations PLC, entered the Medical Faculty of the Eastern University during the period under review.

This programme has been extended to the MJF kids in Peliyagoda, Siyambalanduwa, Udawalave and Point Pedro as well.

TREE PLANTING BY PLANTATION KIDS

The 850 tiny tots attending the 72 Child Development Centres on 16 tea plantations of Kahawatte Plantations joined hands to celebrate MJF Foundation Settler's 85th birthday with a difference this time, on May 6th 2015.

The little kids together with their parents and the Health teams of the estates, launched their "Kids for Nature" project with the objective of creating awareness to the kids at their early childhood days to care and respect nature and the environment. 10 – 20 tree plants were planted in the CDC gardens of all the 72 CDCs of Kahawatte Plantations totaling 850 plants.

2 -3 mothers and their kids attending the CDCs were entrusted with the responsibility of nurturing each of these plants so that the elders too join hands with their children in this new initiative towards caring and protecting their environment.

HEALTH CENTRES AND IT CENTRES



The refurbished Merrill J Fernando Health Centre of Somerset estate in Talawakelle continues to provide qualitative healthcare to 3600 plantation workers and their families including emergency care, ECG, Hemoglobin and blood sugar levels testing, EPI, anti natal and post natal care, Family spacing, Health education for adolescents, youth and elders, Oral cancer and TB control Programmes and also equipped for swift transfer of patients to Government Health Centres if needed, by an Ambulance service.

A new Health Centre was constructed and donated to Dunkeld estate in 2015 which is now benefiting the 300 families resident on the estate with in house medical care.

HOUSING FACILITIES TO PLANTATION WORKERS



Consequent to pilot housing project consisting of 3 housing units that was launched on Dunkeld estate in 2012, the MJFC Foundation has provided new housing facilities to 46 families on the estates with water and electricity as well. Each family is also entitled to a small home garden and have also been provided with the know-how of growing organic vegetables for their consumption as well as an additional income through selling their produce.

SUPPORTING THE DIFFERENTLY ABLED

The operational activities of the MJF "Sithijaya" Centre for the Differently abled in Ambalantota which came directly under the purview of the MJFCF in June 2011 was terminated in June 2012 by the Government authorities in Ambalantota due to a disagreement with Foundation on its insistence for better management and qualitative support to the Centre. Several efforts by the Foundation to recommence operations were not considered favorably by the Government authorities. The Foundation therefore continued a CBR programme in the Ridiyagama area of Ambalantota till March 2013 and was compelled to withdraw its support due to lack of support and recognition from the Government authorities.

However, a new government administration established in Ambalantota in August 2013 invited the Foundation to explore possibilities to re commence operations and subsequently the operations at the Centre were re commenced with a new team headed by the Divisional Secretary Ambalantota in November 2013 with financial support by MJFCF. Since then the MJF Sithijaya Centre for the Differently abled has been operating successfully providing learning, life skills and vocational training opportunities for 45 special needs children in the area with a staff of 8. A new Physiotherapy unit was also added to the Centre in October 2015. All operational expenses are borne by the Foundation whilst the administration comes under the purview of the Divisional Secretary Ambalantota.

MJF SADDHASARANA HOME FOR THE ELDERS

The MJF Elders home at Pitipana provides residential facilities to 18 inmates and now manages all its operational expenses independently as a self-reliant entity.



MJF CENTRE FOR DIGNIFIED EMPOWERMENT - MORATUWA

Providing unique opportunities for integration through a variety of activities and events, our theme of 'Celebrating Differences' is indicative of an environment which respects all individuals regardless of their religion, ethnicity, abilities and social status. The Centre provides opportunities for leading mainstream school children to interact with our diverse community at the MJF Centre hence making 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 2 years. A Centre which began with 9 students and 3 teaching staff, in January 2012, now boasts a total student enrollment of 110 as well as 27 committed and dedicated team of teachers, which includes 2 full time physiotherapists and 2 speech therapist.

The Centre provides services for individuals from as small as 1-3 years of age with an early intervention program upto adolescents of 30+years of age with a multitude of disabilities from Down syndrome, Cerebral Palsy, Autism, Development Delays and Learning Disabilities etc.

Established in May 2012, the Centre for Cerebral Palsy, which comes under the Rainbow Centre, has been a turning point for families with children diagnosed with Cerebral Palsy. This Centre is a collaborative effort between The MJFCF and The Cerebral Palsy Lanka Foundation and has been a great success with our own state of the art physiotherapy unit which is now a centre for clinical practices for the final year students of the Physiotherapy the Medical Faculty of the University of Colombo. The pediatric Physiotherapy Unit is considered more sophisticated than the Lady Ridgeway Children's Hospital. In the past, children received physiotherapy every 4-6 months and had 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.

THE CARPENTRY WORKSHOP

A fully functional carpentry unit was formally opened in March 2013 with the objective of providing a skill and vocation to both the Rainbow Centre and MJF Kids. At present the unit caters to the Centres furniture requirement.

Summary of Kids attendance at the RB/CP Centres

	ON ROLL	AVERAGE DAILY ATTENDANCE	NO. OF TEACHERS / THERAPISTS	FREQUENCY OF SESSIONS
RB/CP Centre	110	75	21	daily
Carpentry	20	09	01	3 days / week
Scouting	65	33	01	2 days / week
Guiding	32	20	01	Once a week

CELEBRATING DIFFERENCES

The annual event “Celebrating Differences” of the MJF kids, together with their peers from the Rainbow and Cerebral Palsy Centres, has been a year end event since 2013. It is a much sort out event for all at the MJF Group, having always being an emotionally touching evening of music, dance and creative entertainment, which has been highly appreciated by all those present.

THE CURTISS CENTRE FOR DESIGN

Since inception the unit has benefitted a total of 200 youth from low income families. The Curtiss Institute which initially commenced with classes in Computer Graphics Design, now also offers courses in MS Office, Web Designing and Computer Hardware hence catering to approximately 60 students per week.

Overview of the achievements at the Curtiss Graphics Institute and Life changing index

	ON ROLL	AVE. ATTENDANCE	INSTRUCTORS	SESSIONS PER MONTH	COMPLETED BATCHES	STUDENTS PASSED OUT
Graphics	18	15	1	12	6	70
Hardware	18	12	1	04	1	14
Web Design	20	14	1	04	1	17
MS Office	60	50	1	16	6	146
Total	118	91	4	36	14	257

“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 for women subject to abuse and illegal trafficking in mid-2011. However, the utilization of the facility by the Ministry has not been up to expectations, given the 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, families and community. The program took flight from 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 activities of this year culminated in the first 2 segments of a home management manual, distributed at the beginning of each semester. The manual integrates all aspects of WDP activities for the women into a handy manual that encourages forward-planning, personal goal-setting and financial management. 2014 was a

pilot for this manual. The mothers of the MJF Kids have formed a Women's Society. The society meets monthly and acts as a self-regulating body for their own initiatives and for activities the WDP conducts with them. This includes income-generation projects, creative activities, maintenance of the home management manual and community garden, and discussions on community issues and possible interventions.

The Women's Development programme has developed it self to meet all catering needs at the Centre and at the MJF Groups head office for in house meetings and special events.

LIFE THROUGH CRICKET – A COLLABORATIVE PROGRAMME WITH CRICKET LIVE FOUNDATION – NZ



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 devolvement through cricket.

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.

Currently the programme supports 198 kids from Moratuwa including 10 of the MJF Kids in the age groups of 11 – 13 years with training team of 8 local coaches.

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.

Based on the success of the programme during its 1st year the Foundation expanded the programme to another Centre in Siyambalanduwa in October 2015 and has already commenced the same initiative there as well with a further 48 students and 3 coaching staff.

A programme exclusively for girls is being planned at present and will be commenced by July 2016 in Moratuwa.

THE NEW VOCATIONAL TRAINING CENTRE IN MORATUWA

Construction of a new addition to the Moratuwa Centre, a 20,000 sq.ft state of the art VT Centre which commenced in late 2014 will be formally operational in July 2016. This VT centre will include a new vocational training in culinary arts and hospitality training for under privileged and disable youth form all parts of the country. The training will be provided free of charge. In addition the student intake at the Curtiss Centre for design will also increase from the current 18 per batch to 96 per batch as the Curtiss Centre for design will also move to a new and spacious facility in the new Centre.

A further unique addition will be the Swashakthi Tea Room and Bakery which will be operational form 1st June giving an opportunity for both the Culinary trainees and the members of the Women's Development Society to sell their produce and re divert the earnings for further strengthening and development of their respective programmes.

COLLABORATIVE INITIATIVES

National Centre for children with Cerebral Palsy and other Developmental Disorders

MJFCF will launch the National Centre for Children with Cerebral Palsy and other Developmental disorders in Collaboration with the Cerebral Palsy Foundation at its own Centre in Ambagahawatte by late August 2016.

Semata Sevana Housing Programme

The Foundation supported the infrastructure needs of the Governments Semata Sevana Housing programme in Hambantota with a donation of Rs. 6.2Mn

School of Inspiration – Koul Ara

A dilapidated Pre School in Koul Ara was fully re furnished to a unique standard and donated to the community in March 2016.



New OPD / Administration Block for Kayts Hospital - Jaffna

A new OPD/ Administration block for the Kayts is under construction at present by MJFCF which is scheduled to be handed over to the Northern Provincial Ministry of Health by 30th June 2016

MJF Group staff initiatives

All staff attached to the various departments of the MJF joined hands to demonstrate an act of kindness towards needy children, elders, orphans and the sick by initiating a community social responsibility programme under the 12things we do for Christmas in December 2015. More information on this could be obtained from www.mjffoundation.org

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.

Dilmah exercises due care & diligence in the design of their products to ensure they are fit for intended use and do not pose hazards to health of the consumers. This covers a systemic 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 Product Development Manager. This committee consists of representatives from various departments covering such aspects as health and food safety, Process capability, environment & regulatory requirements.

Research and Development driven by the Food Technology Division takes care of the capability, 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.

Dilmah 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 the product is regularly communicated via social media.

Strict adherence to Quality & Environmental Management System ensures the proper sourcing of material & disposal of waste and addresses issues impacting them 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 the 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 : 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 to 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 carried where necessary.

LIST OF CERTIFICATIONS IN RELATION TO THE PRODUCT

Management system certifications: Quality: ISO 9001

Food safety: BRC Global food safety standard / FSSC 22000

Environment: ISO 14001

Product: Organic certification to limited products to EU, USDA-NOP and JAS certification schemes



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
Director

Mr. Dilhan C. Fernando
Director

Mr. Roshan Tissaarachy
Director

Ms. Minette Perera
Non Executive Director

Mr. Rajan Asirwatham
Non Executive Director

Mr. Gritakumar E. Chitty
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 ISO trained 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 process, external auditors of ISO and HACCP verify and review the system 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 ISO 9001: 2008 Quality Management System, ISO 22000: 2005 and HACCP Food Safety Management System, BRC- Issue 06 : Global Standard for Food Safety Management System BRC- Issue 06 : Global Standard for Food Safety and ISO/IEC 17025:2005 Laboratory accreditation for chemical testing certified. All systems are well documented with clearly defined processes, duties and responsibilities. These PPI's 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 into 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 work.

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

underprivileged in Sri Lanka. It is registered at the Kelaniya Pradeshia 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 14001:2005 certification by DNV Business Assurance, certifying the compliance of our operation to the requirements of ISO 14001:2005 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 below (page 51)

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 below (page 51). The Company will also continuously find new avenues and build on the existing ones to improve communication with its stakeholders.

TABLE : STAKEHOLDER ENGAGEMENT

the existing ones to improve communication with its stakeholders.

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

Category of stakeholders	Stakeholder involvement	Indicators of accomplishments within the last one year
Employees	<p>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.</p> <p>Employees have been formed into work groups to accomplish broader objectives such as :</p> <ul style="list-style-type: none"> • 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 	<p>Several employees received Kizan – rewards for innovations – (e.g. New energy saving Method).</p> <p>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.</p>

	<p>Senior management is well aware of the sustainability bench marks / 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.</p>	<p>The sustainability report of 2014/15 was distributed among the senior management, Sinhala and Tamil translations were shared with those staff who are more conversant in those languages.</p>
Customers	<p>In year 2015 Dilmah conducted a 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 were carried out through the Dilmah School of Tea. This is an innovation by Dilmah to educate consumers, tea aficionados and hospitality professionals about tea, its diversity, versatility 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 climaxed 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 2015/16 was the bi-annual Dilmah Partner Conference, gathering of Dilmah partners from across 105 countries in Sri Lanka for business planning</p>	<p>National winners, trade engagement events in different countries.</p>
Suppliers	<p>Main goods and materials supplied to our operations comprise of tea leaf, packaging materials, consumables, chemicals and flavoring. Others such as paper, packaging materials IT Equipment. We have our suppliers from variety of sources namely from plantation management companies.</p>	<p>Creation of an opening for a special line of tea, produced in FSC certified estates is encouraged among our suppliers. We prefer our suppliers (IT equipment) be selected with ISO 14000 and high energy-efficiency. The supplier of chemicals & consumables, we prefer those with at least the Environmental Protection License (EPL) and preferably an acceptable certification.</p>
Shareholders	<p>Ceylon Tea Services (CTS) and MJF Exports Ltd., are the main packaging and production divisions of the group and the divisions responsible for selling tea in bulk to traders and blenders.</p>	

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NOTES





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