



**DILMAH CEYLON TEA COMPANY PLC**  
**SUSTAINABILITY REPORT 2016/17**



# WELCOME

## We are pleased to present our sustainability report for 2016/17

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Dilmah Founder Merrill J. Fernando posited an exceptional vision when he declared his commitment to tea in the 1950s; he aspired to create Sri Lanka's first producer owned brand; one that would offer the finest teas to consumers whilst providing an equitable bargain for producers.

Today, over sixty years on, Dilmah offers millions of tea lovers around the world a truly different experience in tea. Tea that is handpicked, garden fresh, unblended and of the finest quality. Dilmah presents an unmatched collection of teas, each tasted and selected with the benefit of decades of experience, and most importantly, driven by a passion for genuine innovation and excellence.

As a part of a philosophy that goes beyond commerce in seeing business as a matter of human service, Dilmah directs a tenth of its profits towards social and environmental development initiatives. Our Founder's intention to make his tea ethical, is honoured in the work of his MJF Charitable Foundation and Dilmah Conservation. The natural goodness in every cup of Dilmah is extended by the positive humanitarian and environmental impact Dilmah has on communities and ecosystems.

The report communicates more coherently and concisely the relationships and interdependence of the many aspects of our business such as strategy, governance, performance and prospects whilst exploring passion, variety, dedication, ethos of Dilmah Tea.

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# SECTION 1 REPORT CONTEXT

This is Dilmah's fourth sustainability report, which reiterates management commitment to integrate sustainability into all facets of the business. The report is instrumental for managing and reporting on economic, environmental and social sustainability initiatives. The Board's commitment to stewardship stipulates transparency on matters relevant to our stakeholders. This Report is produced primarily to address and fulfil these requirements.

We are committed to embracing Dilmah's core values and managing our business by mobilizing efforts with respect for nature and future life on earth. Through our innovative products, talented workforce, and willingness to adapt and explore, we continue to work to reduce our impacts on the planet while maintaining quality products.

At the Dilmah head office in Peliyagoda, 300,000 square feet of built up space on 4 acres, 726 staff, over 70 advanced tea packaging machines and stringent quality assurance standards are employed to consistently provide the finest cup of tea. Our core business operations include marketing, sourcing, planning, transporting, quality controlling, purifying, blending, tasting, grading, packing, labelling and shipping. The organization's significant operations are located within Sri Lanka, with services delivered through locally domiciled entities.

## REPORTING GUIDELINES & METHODOLOGY

The Report conforms to the sustainability reporting guidelines of the Global Reporting Initiative (GRI) Standards issued by the Global Sustainability Standards Board (GSSB). A soft copy of this Sustainability Report and key information relating to sustainability is available on the company website.

Information relating to sustainability is prepared "In Accordance- Core" of the GRI Standards. The GRI index is available from page 75 to 77.

The Greenhouse Gas Protocol developed by World Resources Institute (WRI), World Business Council for Sustainable Development (WBCSD) and ISO 14064 standard (published in 2006) is part of the ISO 14000 series of International Standards for environmental management, has been used to measure and report on the carbon footprint of the organization.

The content of the report covers the economic, social and environmental activities of the period, supported and illustrated by relevant data and statistics.

## REPORT BOUNDARY

The Annual Sustainability Report boundary is confined to Dilmah Ceylon Tea Company PLC (formerly, Ceylon Tea Services PLC) located in 111, Negombo Road, Peliyagoda, Sri Lanka. The scope of this report addresses all wholly owned and managed operations related to the organization. The material aspects cover all material within the scope. Dilmah Ceylon Tea Company PLC (DCTC) will be referred to as 'Dilmah' in the report.

## COMPLIANCE

The report relates to the activities of Dilmah Ceylon Tea Company PLC, over a 12-month period ending 31st March 2017 and is consistent with our usual annual reporting cycle for financial and sustainability reporting.

There have been no changes in the reporting scope and/or boundaries from the previous year. Non-financial information in this report pertaining to the previous year has not been restated, unless otherwise stated.

## QUERIES

We welcome your comments or questions on this report. You may contact:

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Sustainability Officer

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## MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

As an element in our commitment to making business a matter of human service, we present our fourth cohesive sustainability report and reiterate our commitment to integrating sustainability into all facets of the Dilmah business. We continue to be committed to embracing the core and founding values of Dilmah in integrating into the heart of our business, respect for nature and future life on earth. Through our products, workforce, and willingness to adapt and explore, we continue to work to reduce our impacts on the planet whilst maintaining the quality of our teas.

This year, we continued our efforts to incorporate sustainable development principles, tools and approaches into our businesses. We have developed a sustainability strategy intended to mitigate operational risks and to build long-term resilience by improving environmental efficiency and innovation. The aim of this strategy is that our businesses should have a positive environmental and social impact whilst continuing to succeed in the long term. When the natural environments that we depend on thrives, so do we. Our strategy has identified six areas that are material to all our operating units. They are carbon, water, waste, materials, biodiversity and climate resilience. We have reported on our commitments, indicators of progress in relation to each of them and developed short and long term targets.

In our efforts to incorporate sustainable development principles, tools and approaches into our businesses, we identified, tracked and accelerated our progress in areas of sustainability which are most material to our group. This has provided us with an opportunity not just to reflect on our achievements but to look forward as well. We operate in changing and complex markets. Globalization and technological progress is increasing the pace of change. We understand that for Dilmah to succeed in creating long term value, sustainable development should be a strategic imperative.

By emphasizing sustainable development, both as a concept and in practice, we will be a more robust, competitive and resilient business in the long term. This is why, despite the current economic challenges, we continue to invest in development that makes our business more sustainable. This year, for example, we offered additional central support for projects which can deliver long term benefits in terms of sustainable development. Such support is intended to encourage innovation and to improve our overall sustainability performance, contributing to long term growth in shareholder value.

Dilmah is intensely involved in the communities in which it operates and understand that in order to continue to succeed, we need to play our part now in protecting the environment by addressing related issues such as climate change, water scarcity and waste management. We also continue to address biodiversity issues, source and use sustainable materials and work towards becoming more resilient to climate change. These matters are key areas of our focus and is in the heart of our operations. There are no quick-fixes. In line with our strategy we will continue to search for ways to make our businesses more sustainable and to work with others who share our sustainability values.

We are extremely grateful for the time and effort put in by all our teams involved in developing a comprehensive plan for the Group towards 2020 and beyond that could provide a blueprint for the right approach towards sustainability by conglomerates.



Merrill J. Fernando  
Founder of Dilmah







## SECTION 2 2016/17 HIGHLIGHTS

*April 2016*

### **NATIONAL BLIND CRICKET**

The Dilmah 5th national tournament was held and 37 matches were played around Sri Lanka in seven locations.

*May 2016*

### **SOLAR POWER PLANT**

The new 150kWh solar plant was launched. Together with the existing 100kWh plant, the new set of panels make up one of the largest privately-held solar power generation plants in Sri Lanka.

### **GLOBAL PARTNER CONFERENCE**

Under the theme Ignite the Revolution Dilmah's 7th Partner Conference was held at the Cinnamon Lakeside Hotel in Colombo

*June 2016*

### **SWASHAKTHI**

The Swashakthi Bakery and Tea Room opened to the public on 1st June 2016. initiative by the MJF Charitable Foundation.

*July 2016*

### **CEYLON GOLD LAUNCH IN VIETNAM**

The Ceylon Gold Launch in Vietnam in modern trade outlets such as Lottemart, Aeon & Coop

*August 2016*

### **LEOPARD CONSERVATION**

Dilmah together with The Wilderness and Wildlife Conservation Trust established a Leopard Conservation Station at Dunkeld Estate

### **'COMMON FOREST TREES OF SRI LANKA'**

A new Publication was released by Dilmah Conservation with the aim of creating awareness about our forest ecosystems

### **ONE EARTH NATURE CLUB**

Pioneered by Dilmah, the club held its first educational workshop on 'Wetlands, Lagoons and Estuarine Ecosystems'

*September 2016*

### **WORLD CHEFS' CONGRESS**

Dilmah was the primary sponsor and exclusive tea sponsor of the WorldChefs' Congress held in Greece.

*October 2016*

### **SIAL FOOD FESTIVAL**

Dilmah showcased ergonomically designed stalls and its extensive product range at the SIAL Food Festival in Paris.

*November 2016*

### **ECO-INNOVATION AWARDS**

7 Sri Lankan innovators were rewarded through the MJF Eco-Innovation Awards; a unique way of promoting economic growth through innovation.

### **FIRST AWARD**

Dilmah Founder Merrill J. Fernando - was honoured in the United Kingdom with the FIRST Award for Responsible Capitalism on 30th November 2016. The Award recognizes business ethics, emphasizing his unique philosophy of "making business a matter of human service".

*November 2016*

### **KAYTS BASE HOSPITAL**

A new Outpatient Department and Administrative Block for the Kayts Base Hospital was established by Dilmah

*December 2016*

### **SILVER JUBILEE GOURMET COLLECTION**

Dilmah Launched the Silver Jubilee Gourmet Collection with Gastronomic Afternoon Tea at the Bangkok Marriott Marquis Queen's Park

*January 2017*

### **CARBON NEUTRAL**

The Dilmah Headquarters in Peliyagoda achieved carbon neutrality in 2017 thus marking a momentous achievement, following 4 years of work.

*February 2017*

### **MJF CENTRE IN EAST**

Merrill J. Fernando Charitable Foundation (MJFCF) expanded its humanitarian activities in the eastern region of Sri Lanka by establishing the MJF Centre for Dignified and Sustainable Empowerment in, Kalkuda

*March 2017*

### **ONE EARTH URBAN ARBORETUM**

President Maithripala Sirisena inaugurated Dilmah Conservation's Arboretum; Sri Lanka's first Urban Arboretum; designed to present the aesthetic, functional and psychological value of nature in an interactive and educational facility

“*Nothing can capture the essence of this natural, beautiful tea country more clearly than a cup of Ceylon’s finest high grown tea. Reflecting the art of the tea maker, fine Ceylon Tea also captures the magnificence of the nature in a cup of calm and healing.*”

– Dilhan C Fernando



## **SECTION 3**

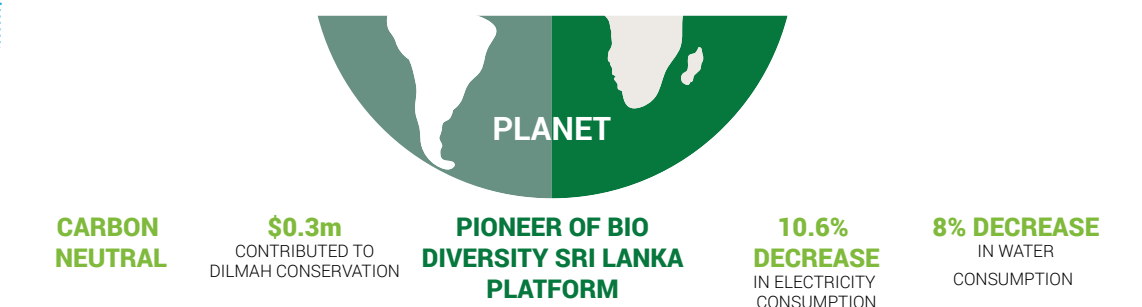
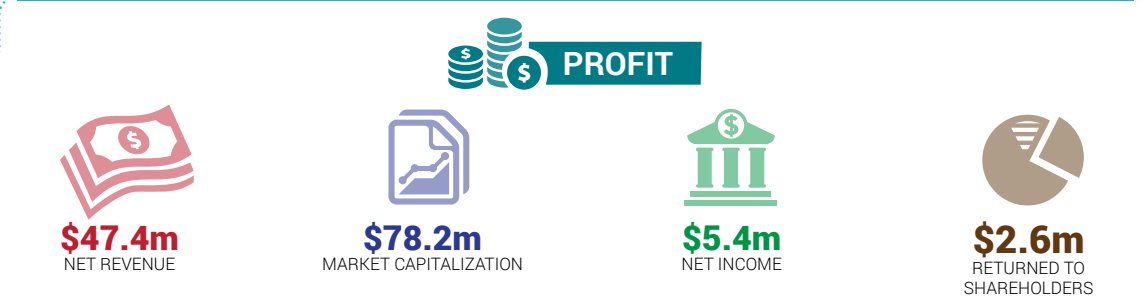
# **OUR PROFILE**





## SECTION 3 OUR PROFILE

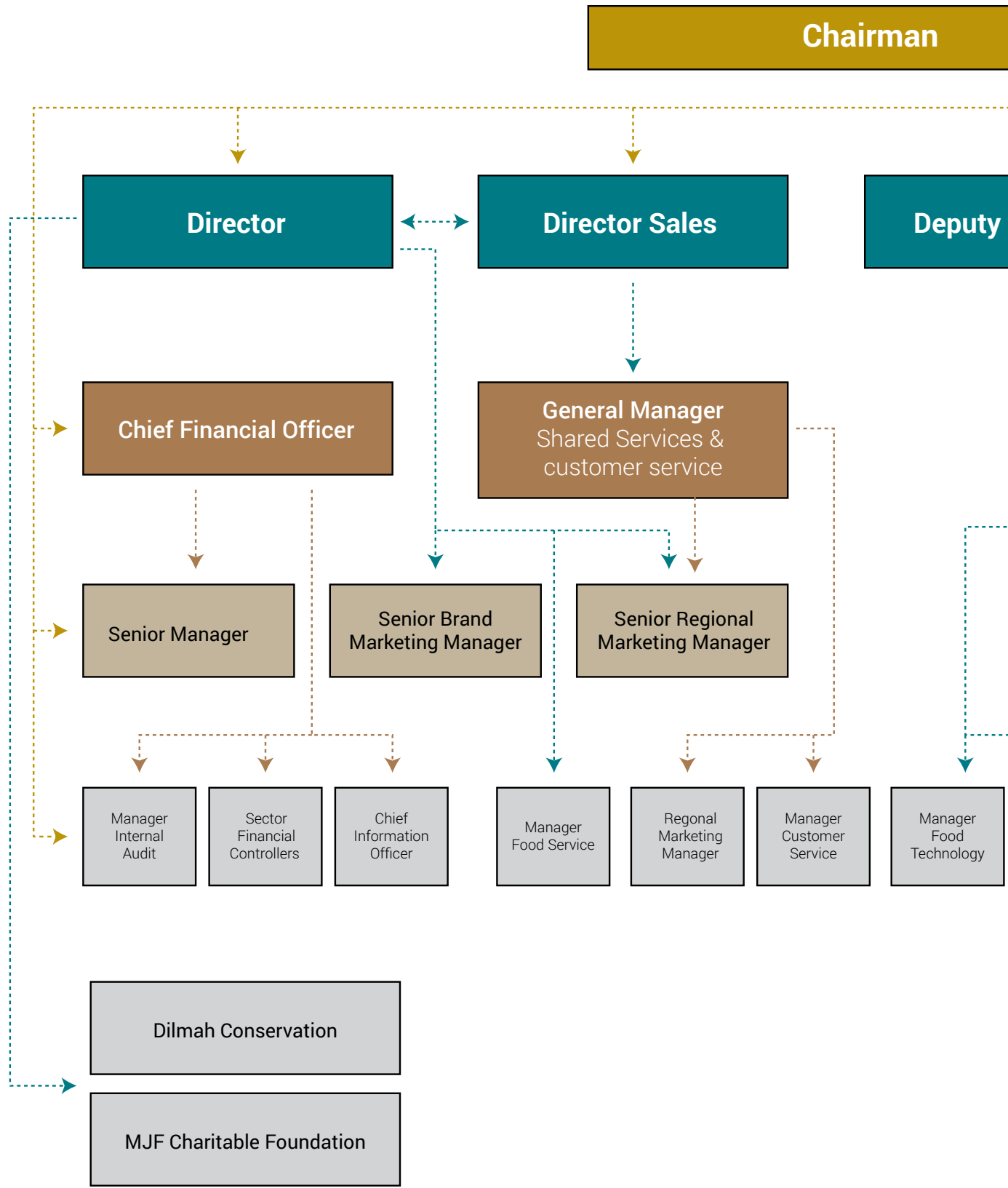
### 3.1 DILMAH AT A GLANCE



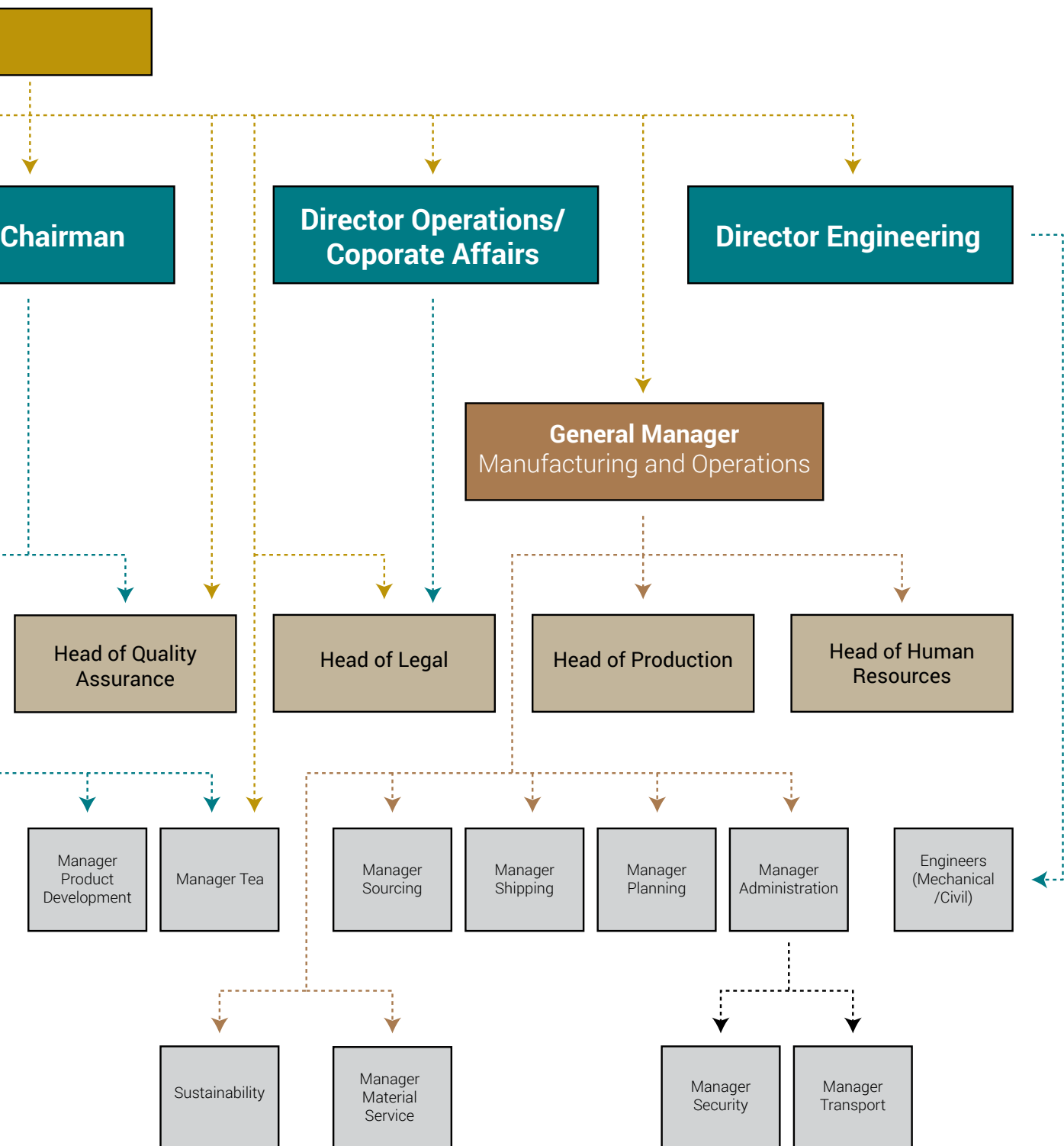
### 3.2 COMPANY STRUCTURE

#### LEGAL FORM

Beneficial ownership, including the identity and percentage of ownership of the largest shareholders; – 65.38% owned by MJF Teas (Pvt) Ltd and 21.28% owned by MJF Exports (Pvt) Ltd









### 3.3 CORPORATE GOVERNANCE

#### 3.3.1 THE BOARD OF DIRECTORS

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. The names of members of the board are listed below.

**Mr. Merrill J. Fernando**  
Chairman

**Mr. Himendra S. Ranaweera**  
Deputy Chairman/ CEO

**Mr. Malik J. Fernando**  
Director

**Mr. Dilhan C. Fernando**  
Director

**Mr. Roshan Tissaarachthy**  
Director

**Ms. Minette Perera**  
Non Executive Director

**Mr. Rajan Asirwatham**  
Non Executive Director

**Mr. Gritakumar E. Chitty**  
Non Executive Director

#### 3.3.2 RESPONSIBILITIES OF THE BOARD

The Chairman leads the Board and takes overall responsibility for its effectiveness and efficiency. The Board bears overall responsibility for corporate governance and conformance, to fully discharge expectations of various stakeholder groups and support sustained performance. The Board achieves this through formulation of Business Strategy and Direction, Establishing Corporate Policy, Budgetary Planning and Control over major Capital Investments and Expenses and ensuring sufficient Internal Controls are in place to safeguard Company Assets. The Board in discharging its duties seeks independent professional advice from external parties when necessary. Formal Board meetings are held once a quarter and special Board meetings are held, when circumstances arise.

The Board of Directors of Dilmah Ceylon Tea Company PLC is committed to attaining the highest standards of Corporate Governance and Corporate Ethics, with the objective of safeguarding the interest of all stakeholders and ensuring future business sustainability. We resolutely believe in the need to balance interests of all stakeholders and endorse the independence of business and society.

#### 3.3.3 BOARD COMMITTEES

To facilitate focused attention on specific areas of review and in pursuance of the listing rules of the Colombo Stock Exchange, the board has appointed three sub committees: the Audit Committee, Remuneration Committee and Related Party Transaction Review Committee. All committee reports are included in the Dilmah Ceylon Tea Service PLC Annual Report.

#### 3.3.4 PERFORMANCE REVIEWS

**It is company practice to perform the following reviews**

##### MARKET REVIEW

The individual market performances are evaluated on a monthly and quarterly basis. The actual performance is compared with the budgets, prior year performance, competitor activities, media communications and other marketing activities.



## FINANCIAL REVIEW

The Chairman and Executive Directors review the monthly financial performance of the company. The review covers profitability, cash flows, budgets and key performance indicators of the Company.

## AUDIT REVIEW

The internal audit function forms an important unit of the company and the internal auditor carries out a program of financial auditing of various functions and processes. Dilmah has a team of ISO trained auditors who carry out regular system audits and report 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 procedures of the company and submit their reports.

## HUMAN RESOURCES REVIEW

The company carries out appraisals of every employee on a bi-annual basis. The review identifies the strengths and weaknesses of employees, whilst evaluating individual contribution to the performance of the company. Individual training needs are also identified from the review and later fulfilled by allocation of internal/external training for each employee.

### 3.3.5 EXECUTIVE MANAGEMENT TEAM

The Chairman and Executive 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 recognizes and acts on the need for continuous professional development in their respective functional and cross functional areas.

### 3.3.6 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 enlisted under Compliance, Adherence and Associations. All systems are well documented with clearly defined processes and responsibilities. The Company has Key Performance Indicators (KPIs) covering all operational and functional areas of the organization. These KPIs are monitored periodically and management reviews are held quarterly.

### 3.3.7 RISK MANAGEMENT & REVIEW

Managing risk is a key aspect in the Board's stewardship role. The Board's directives are converted into action which follows a risk management framework. The sequence includes; Categorization, Selection, Implementation, Assessment, Authorization, and Monitoring of Risk.

The task of reviewing the effectiveness of risk management rests with the Audit Committee. The risk management process includes all the aspects from deciding risk at the Board level to measurements and feedback at the operational level. Internal controls are in place to review the annual sustainability report. These internal systems ensure integrity and the credibility of the report.

### 3.3.8 FINANCIAL REPORTING

The Company publishes quarterly and annual accounts on time, with sufficient details to evaluate Company performance. Published financial statements are prepared in accordance with SLFRS/LKAS and Colombo Stock Exchange disclosure requirements. The Directors ensure that confidential and price sensitive information are not made public until published.

## 3.4 ATTRIBUTES & VALUES

The organization's culture consists of the attitudes, values, beliefs and underlying behavioral characteristics that best represent the brand. Our culture influences decisions, actions, and ultimately the overall performance of the organization. Recognizing this, we have spent years building our reputation and instilling these attributes in the hearts of all our stakeholders across the island and beyond. Today, we are very proud of the assurance our stakeholders have in us.

The original six pillars of Dilmah; Quality, Tradition, Our Customer, Ethics, Integrity and Sustainability were integrated into 12 unique principles together formulating a truly unique brand. These principles, values and attributes make us a truly unique brand. They are what makes us 'Dilmah'.



# 12 UNIQUE PRINCIPLES WHICH GUIDE DILMAH



## **DILMAH STAYS TRUE TO ITS HERITAGE**

The promise our founder gave consumers when offering the first genuinely ethical tea that was packed garden fresh at source, is what Dilmah offers today, thirty - nine years later. He has been steadfast in his commitment to keeping Dilmah a truly local product – this has not been easy. The pressure to adapt to changing circumstances, market conditions as they were called, has been unrelenting in the use of CTC tea, blending teas from other origins, costing a fraction of Ceylon Tea, to offer tea that is more competitive in price but is less authentic. This method was adapted by all our competitors because they believed in the new reality.

## **DILMAH DID NOT CHANGE**

Adaptation would mean compromise - this is not an option for us teamakers who have a commitment to real tea that goes a long way beyond profit. The 12 features included represent the story of Dilmah. It will explain why everything about Dilmah is different. There is no single aspect that substantiates the claim of being different - it is more a series of inter-related and inter-dependent elements that form what Dilmah stands for today.





## pure **ceylon** tea

In Ceylon, we value a tradition of teamaking that gave Ceylon Tea the reputation of being the finest in the world. Known for centuries as the home of the world's finest tea, the island now known as Sri Lanka offers a wonderful array of tea, the result of the aspect of terroir that tea is blessed with combined with the unique topography of the country. Dilmah selects the finest amongst Ceylon Teas, protecting the heritage of the island's centuries old tea industry and nurturing the artisanal style that makes the finest Ceylon Teas indisputably the best in the world.

**handpicked from amongst the finest teas on earth**

## unblended

Our Founder Merrill J. Fernando made a commitment to quality in making Dilmah unblended. At the time tea first enjoyed its global acclaim, tea was unblended, celebrating the identity of tea from origins known for quality. A century later the concept of blending became popular, as celebrated teas from Ceylon and other famous regions became expensive. Blending in this way compromises authenticity, freshness and sacrifices quality in tea. Dilmah remains true to the pledge that Merrill J. Fernando made to quality and authenticity in keeping Dilmah unblended.

**a commitment to authenticity and integrity**



## garden fresh

In tea, Freshness is as important as Quality. Fresh Tea is richer in flavour, aroma, and the subtle characteristics that form the terroir of fine tea. Fresh Tea is also richer in antioxidants. Tea that is shipped in bulk for blending and packing overseas, or not packed and protected shortly after harvesting, absorbs moisture as it ages. This leads to the development of toxins which degrade flavour and can significantly affect the natural antioxidants in tea.

**natural goodness and natural flavour guaranteed**

## the single origin tea

Origin defines the character and identity of tea. Influenced by the natural blessing that terroir offers tea made on well located gardens, it is mostly origin that determines the combination of elements that form flavour in tea. Dilmah is unique in maintaining an unwavering commitment to the integrity of origin. Rejecting the more profitable but unacceptable compromise of multi origin blends which has become the standard in the tea industry, an important part of Dilmah Founder Merrill J. Fernando's pledge to offer tea drinkers the finest tea, is his commitment to the purity of origin.

**purity of origin and the luxury of terroir in tea**







## cared for by a teamaker who is passionate about tea

The pleasure in fine tea comes from the continually changing aroma, taste, strength, texture and the many elusive elements that form quality in tea. They are infinitely variable with the result of soil and natural climatic influence on tea. This complexity defies standardisation, making teamaking an art that is based on science. The commitment of the artist that composes the teas is central to the pleasure in those teas. Merrill J. Fernando devoted his life to tea. Now joined by his sons Dilhan and Malik, whose names form that of his 'third son' Dilmah, his experience of over six decades, his dedication as a producer and the foundation of quality and integrity he established are what make Dilmah different.

**tea selected and cared for by a farmer who devoted his life to tea**

## ethical

Ethical behaviour is part of being human. 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 commercialisation of ethics, Dilmah stays true to its Founders' Philosophy which was crystallised 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 the global earnings from Dilmah 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, differently-abled, as well as the environment.

**genuinely ethical tea, founded on goodness**



## traditional

The traditional style of manufacturing tea is artisanal, demanding expertise at each step. It is an exacting method, demanding expertise but it is the only way to make good tea. Being delicate in its character, tea does not condone any error in the method of manufacture and requires perfection from handpicking two leaves and a bud to the final stage of manufacture. Whilst the recent and more prevalent CTC method is cheaper, it represents a compromise that sacrifices the soul of tea. In Dilmah we offer only tea that is made in the traditional manner.

**there is only one way to make good tea, and it is the more difficult way**

## finest quality

For the farmer who loves his craft, quality can never be compromised. In the same way, as the pioneer in offering tea that is garden fresh, and packed at source direct to tea drinkers around the world we will not compromise the quality of our Dilmah. From the moment our tea is handpicked on our tea gardens to the artisanal style of manufacture and tasting over 5,000 teas each week to select 3 of only the finest, Dilmah comes with a guarantee of Quality.

**in tea, tradition and quality are synonymous**





## natural

Tea is a herb that is blessed by Nature in a very special way. In each cup of tea, one can discern from the appearance of the tea, from its aroma and taste, the influence of rainfall, sunshine, wind and temperature. We commit to keeping Dilmah Tea natural, as an important element in the natural goodness that tea offers through antioxidants. There is no better teamaker than Nature, and our task is to nurture the terroir of fine tea by respecting the artisanal style of production, and thereby respecting Nature.

**tea crafted by nature**

## authentic

The natural result of our commitment to traditional manufacture, purity of origin, and selecting each tea for its quality by tasting, is a level of authenticity that is unprecedented. We stay true to the heritage of *Camellia sinensis* - real tea - and the terroir of specific origins. In this way Dilmah offers genuinely authentic teas that celebrate the subtle variations of different origins, the natural goodness and character in real tea and a style of manufacture that has been perfected over millennia.

**inspiring variety, respecting the identity of each tea**



## the pioneer

When Dilmah was first introduced to tea drinkers in 1988, it represented a paradigm shift, being the first producer owned tea company in the world, offering its tea garden fresh, direct from origin to retailers and consumers around the world. It was a small but momentous change for it symbolised an end to a colonial economic model. Merrill J. Fernando's boldness brought genuinely fair tea to tea drinkers for the first time, with the benefits of value addition reaching producers and helping sustain an ailing and exploited tea industry. His endeavour also benefited tea drinkers for he shared the unique perspective of a producer and the strong emotional ties of a farmer to his produce. This led eventually to innovations like Dilmah Seasonal Flush Tea, the Dilmah School of Tea, and the Tea Gastronomy programme amongst others, designed to share the pleasure in tea in a very authentic way.

**as natural as a farmer bringing his produce to market, for the first time**

## committed to sustainability and to the future of the Ceylon Tea Industry

A business established on love for tea and stewarded by a life dedicated to the herb must have an enduring connection with tea, the Ceylon Tea industry, the millions of people whose survival depends on tea and their families. A firm commitment to sustainability and the future of the Ceylon Tea Industry has led to Dilmah Founder Merrill J. Fernando championing Ceylon Tea and striving for a better future for those engaged in tea. The establishment of the Dilmah School of Tea with affiliation around the world is one part of the Dilmah effort to share knowledge of tea and inspire passion for quality amongst tea drinkers. Dilmah Conservation and the MJF Foundation and the work both do in sharing the success of Dilmah with the underprivileged seeks to address humanitarian and environmental issues in the industry. Merrill J. Fernando and his ferocious defence of quality, purity and Ceylon Tea are a legendary part of the history of a great industry.

**sharing the success of Dilmah with those less privileged and the environment**





When we do business The Dilmah way, we embrace our values and foster respect to making our business a matter of human service.

**Dedication** Willingness to devote time and energy to an assigned set of tasks in line with a purpose linked to overall interest of the organization

**Integrity** Preference to do what is right, in line with moral and ethical convictions under all circumstances

**Loyalty** Devoted association with the organization and affection towards it

**Motivation** Demonstration of inner drive towards action in fulfilling identified needs

**Authenticity** Being real or genuine in all circumstances

**Humaneness** Demonstrating one's human side in dealing with others



## 3.5 FINANCIAL PERFORMANCE

### MANAGEMENT APPROACH

Dilmah is committed to supporting environmental and social initiatives and contributing to the local economy by way of supply chain. With the help of new investments made in this direction, contribution to the aforementioned areas continued throughout the year.

Business sustainability, its possession, management and accumulation are carefully monitored. It is used to plan, manage and communicate our financial performance, management actions and financial position to all our stakeholders.

The discussion relating to financial performance, management actions and financial position that follows presents Dilmah's economic performance during the year under review and the status as at the end of the financial year. Detailed financial statements are included in the company 2016/17 Annual report. The Financial Statements included in the Annual Report have been prepared in accordance with Sri Lanka Accounting Standards, issued by The Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007 and Listing Rules of Colombo Stock Exchange.

### FINANCIAL HIGHLIGHTS

In the year under review the company recorded a revenue of Rs. 7.3 billion (USD 47.4 million), which is a marginal 1% increase on the previous year despite natural calamities that prevailed throughout the year.

In 2016/17 heavy rains and landslides seriously affected tea plantations in Sri Lanka, resulting in a sharp drop in crops. This was followed by an equally severe droughts, reducing tea production by nearly 50%. Throughout above period, we retained our prices, absorbing adversities, in our commitment to support customers.

The company was able to post Rs. 964 million (USD 6.28 million) Profit before tax and a total market capitalization of Rs. 12 billion (USD 78.1 million) for the year.



## Summary of Performance

CONSOLIDATED	2017	2016	%
	RS.' 000	RS.' 000	CHANGE
For the year ended 31st March			
Turnover	7,302,141	7,242,120	0.8%
Net Profit before Income Tax	964,040	1,810,201	-46.7%
Income Tax on Profits	(136,680)	(194,826)	-29.8%
Profit for the Year	827,360	1,615,375	-48.8%
Gross Dividends	300,000	600,000	-50.0%

## Distribution of Value Additions 2016/17

SECTOR	COMPONENT	AMOUNT RS.' 000	AMOUNT AT 153.64 USD.' 000	PERCENTAGE OF VALUE
Employees	Salaries, wages & other benefits	780,855	5,082	39%
Providers of Capital	Dividend to share holders	400,000	2,603	20%
Government	Taxes & Regulatory fees	169,418	1,103	8%
Lenders	Interest & Related charges	19,327	126	1%
Donations	MJFCF	70,000	456	3%
Business Expansion & Growth	Depreciation & Amortisation	184,036	1,198	9%
	Retained Income	401,585	2,614	20%
<b>Total</b>		<b>2,025,221</b>	<b>13,181</b>	<b>100%</b>

Investment over many years has resulted in significant economic contributions to the country and has created direct employment opportunities. In the year ending 31 March 2017, the company generated Rs. 2 billion (USD 13.2 million) 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.

During the year, Rs. 70 million (USD 455,611) was contributed to the Merrill J. Fernando Charitable Foundation in support of its humanitarian efforts and Rs. 39.1 million (USD 254,491) was utilized for Dilmah Conservation with the aspiration of safeguarding the environment.

We look for opportunities to work collaboratively with smallholders in many markets and our projects involve a large number of smallholders. We assist in providing 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.

### 3.6 BUSINESS PARTNERS

Dilmah's commitment to making business a matter of human service has meant that we have always sought business partners with a similar outlook. Our business partners are law-abiding, compliant, responsible to their stakeholders, and share our corporate values. Our business partners are committed to ethical production, environmental protection, respect labour standards, promote human rights, foster equal opportunity, do not condone corruption and anti-competitive behaviour, and ensure occupational safety at the workplace. These Economic, Environment and Social parameters are captured in our Supplier Capability Assessment and it is embedded in our selection process. All our suppliers are required to conform to these values and integrate them into their own supply chains.

Dilmah strives to build relationships of trust and carry out fair and equitable procurement activities. We also manage and protect confidential information and personal information obtained through business transactions.

#### 3.6.1 SUPPLIER ASSESSMENT

We select suppliers with strong environmental credentials, while encouraging our existing suppliers to improve their environmental performance. All suppliers are subject to a supplier capability assessment which includes environment, social and economic parameters. Regular assessments are carried out at the Supplier Development Program for Local Suppliers on Quality and Food Safety

#### 3.6.2 PAYMENTS TO SUPPLIERS AND SERVICE PROVIDERS

A total of Rs. 3.5 billion (\$ 23 million) was made to our tea and packing suppliers during the year 2016/17 in aspect of goods and services provided. 95% of Tea and 80% of packing materials are locally sourced. We prize our local value addition as it makes a positive impact on Sri Lanka's economy.

#### Goods and services for the year

CATEGORY	AMOUNT RS.' 000	AMOUNT AT 153.64 USD.' 000
For tea and packing material suppliers	3,560,155	23,172
For direct exports related expenses	79,743	519
For factory Overheads	684,715	4,457
For exports promotional expenses	1,558,220	10,142
Total goods and services for the year	5,882,833	38,290

### 3.7 COMPLIANCE, ADHERENCE & ASSOCIATIONS

Conformance ensures that the organization is compliant and transparent. We seek to go beyond the mandatory aspects of compliance and endorse 'voluntary adherence' in our commitment to continue to be an ethical business.

MANDATORY COMPLIANCE
Companies Act No.07 of 2007
Listing rules of the Colombo Stock Exchange
Code of Best Practices for Related Party Transactions issued by the Securities and Exchange Commission,
Central Depository System Rules

Affirming the organization's commitment to improve plant and employee safety, the health of the communities in which we operate and the environment as a whole Dilmah is also a signatory to Responsible Care.

Dilmah is a member of the United Nations Global Compact board and actively support the principles laid down by Global Compact including respect for human rights, the right to freedom of association, elimination of all forms of forced, child labour and compulsory labour, elimination of discrimination at the workplace, environment sustainability and zero tolerance of corruption.

Dilmah Ceylon Tea Company PLC is registered under following institutions/legal bodies

- Board of Investment
- BRC certificates- SGS
- Colombo Tea Traders Association
- Colombo Stock Exchange
- Ceylon Chamber of Commerce
- Central Bank of Sri Lanka
- Ceylon Electricity Board
- Department of Inland Revenue
- Department of Commerce
- Export Development Board
- EPF and ETF
- Health Ministry
- ISO 9001 & 14000 and FSSC certificates - DNV
- Insurance companies
- Kosher - Orthodox Union
- Laboratory Accreditation ISO 17025- SLAB
- Organic -JAS/NOP/EU - IMO
- Ministry of Industries
- National Water Board
- Registrar of Companies
- Sri Lanka Customs
- Sri Lanka Tea Board
- Sri Lanka Ports Authority
- Sri Lanka Export Credit Insurance Corporation

VOLUNTARY ADHERENCE
ISO 9001 - Quality Management system
ISO 14001 - Environmental Management System
Carbon Neutral Certificate
Responsible Care - Environment Health & Safety
FSSC 22000 - Certification Scheme for Food safety Systems in compliance with ISO 22000:2005 and technical specifications for sector PRPs.
British Retail consortium Global Standard for Food Safety - Issue 7
Organic Product certification for EU, USDA NOP & JAS systems
Laboratory accreditation according to ISO17025 for Chemical testing & Biological testing
Kosher
Halal



### 3.8 QUALITY ASSURANCE

Quality Assurance is a core aspect of our business and it is one of the six pillars that Dilmah was built on. Throughout the entire journey from tea plant to factory to tasting room and bulk packing, samples are constantly examined and analyzed to ensure total quality standards are maintained.

Every stage of the production process, from the receiving point (incoming stage) to the final packaging, is subjected to stringent quality control and laboratory testing to ensure that the final product conforms to customer specific requirements. 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.

During the reporting year, there have been no reported incidents of non-compliance with regulations and/ or voluntary codes concerning product and service information and labeling.

#### 3.8.1 PRODUCT QUALITY

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. Product quality is sustained through carefully monitored audits, regular inspections and evaluation of supplies and suppliers in accordance with aforementioned international standards.

Quality improvement programs across the company and food safety management systems enable continual improvement of quality and safety of all products

#### 3.8.2 PRODUCT LABELLING

The label is the main source of information on the safe and effective use of a product. It will also include information to aid customer purchase decision or help improve the experience of using the product.

The organization has strict internal protocols in place enabling us to comply with all labeling requirements in each country we operate. We have dedicated personnel that have been trained to oversee all aspects of labelling.

All product labeling includes (not limited to) generic information such as name of product, manufacturer name and address, weight statements, expiration dates (varying) terminology. We also conform to unique labelling requirements in every country that we operate in. Provided below is an example of unique product labels.

Russia - EAC technical requirement, type of material, net weight range, Russian text, control mark etc.

Indian - Vegetarian logo, nutritional panels, registration number, month of import etc.

### 3.9 STAKEHOLDER ENGAGEMENT

Our engagement with our multitude of stakeholders reflects the value we place on building strong relationships whilst meeting the standards set for ourselves and our stakeholders. We engage with customers on a day-to-day basis through a variety of channels, both tangible and intangible, while engagement may also be undertaken for a specific purpose. They are largely driven by ethical business interests. Feedback from stakeholders helps to develop strategies that generate sustainable value. Their expectations and needs, which emerge from the engagement process, help us refine our products and services.

Stakeholder engagement is embedded in our company practices and it was not undertaken specifically as part of the report preparation process.

### 3.9.1 Identification and selection of stakeholders

The company considers any person or organization that can affect, or be affected, by the organization's actions, objectives and policies. Identified stakeholders are categorized and prioritized according to the level of influence on the company, representation, dependency, proximity and nature of responsibility. In this context, our primary stakeholders are shareholders, customers, business partners, employees and the society and environment in which we operate, as well as media and advocacy groups, regulators and Government authorities.

### 3.9.2 Process of Engagement

Different stakeholder groups have diverse interests and varying materiality issues. Stakeholder identification, prioritization and engagement is designed to strengthen our business, improve relationships and create opportunity wherever we operate.

Outlined below is a summary of stakeholder engagement and process of engagement.

	SUSTAINABLE ISSUE	PROCESS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	KEY INITIATIVES FOR THE YEAR
<b>SHAREHOLDERS</b>				
Dividend, share price, innovation and company/ industry growth	- Profit & Growth - Management of identified financial and non-financial business risk	Results	Quarterly, Monthly & Annually	AGM, EGM on need base
		Annual report	Annually	
		Annual general meetings	Annually	
		CSE filings	Monthly/Need-based	
		Media releases	Need-based	

<b>CUSTOMERS</b>				
Service, relationship, communication, brand perception	- Product Quality - Compliance	One-to-one interactions	Regular basis	Distributor Conferences, School of Tea
		Customer Services	Regular basis	
		Engage and interact through the website and social media	Regular basis	
		Mailers & newsletters	Weekly, Monthly, Quarterly	
		Brochures	Need-based	

	SUSTAINABLE ISSUE	PROCESS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	KEY INITIATIVES FOR THE YEAR
<b>BUSINESS PARTNERS</b>				
Return on Investment, innovation and industry growth	- Payments - Commitment to sustainability	Partner Conference	Biennial	Distributor Conferences, Supplier meetings and reviews
		Satisfaction Survey	Yearly	
		Regional Meetings	Annually In selected Regions	
		Vendor Review	Monthly	

	SUSTAINABLE ISSUE	PROCESS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	KEY INITIATIVES FOR THE YEAR
<b>BUSINESS PARTNERS</b>				
Return on Investment, innovation and industry growth	- Payments - Commitment to sustainability	Partner Conference	Biennial	Distributor Conferences, Supplier meetings and reviews
		Satisfaction Survey	Yearly	
		Regional Meetings	Annually In selected Regions	
		Vendor Review	Monthly	

<b>EMPLOYEES</b>				
Job Satisfaction, security and stability, growth potential	- Remuneration & benefits - Working facilities and environment - Health & Safety	Information sharing through Intranet	Regular basis	Internal communication campaigns
		Performance Evaluation & Feedback	Quarterly, half yearly, Annual	Performance Evaluation Sessions
		Succession Planning	Annually	
		Job Rotation	Need base	
		Grievance handling	Throughout the year	
		Emails	Regular basis	
		Notice boards	Need-based	
		Cultural and religious programs	Regular	
		Award ceremony	Annually	
		Involvement in community projects	Regular	
		Loan facilities	Need-based	

	SUSTAINABLE ISSUE	PROCESS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	KEY INITIATIVES FOR THE YEAR
<b>GOVERNMENT AND REGULATORY AUTHORITIES</b>				
Compliance, reporting, engagement,	- Policy decision	Statutory Audits	Annual	Financial & Process Audits
		Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies	Need-based	Meetings/ Forums
		Annual report and quarterly reports	Annually and quarterly	
		Strategy and operational presentations	Need-based	
		Payment of taxes	As required	

## MEDIA AND ADVOCACY GROUPS

Communication		Briefings	Need-based	Internal communication campaigns Performance Evaluation Sessions
		Media releases	Regularly	
		Website	Daily, Weekly, Monthly	
		Social media	Daily	

## COMMUNITY

Community investment and infrastructure development		Community projects	Regularly	Community Service Projects
		Media releases	Weekly	
		Website	Daily, Weekly, Monthly	
		Social media	Daily	
		Events	Need-based	





“Our way of tea goes further, for as a family with a love for tea, we believe that tea offers as much to the grower as to the tea drinker; the millions involved in nurturing, handpicking, producing and packing. There is a story behind your cup of tea, which is almost magical”

- Merrill J Fernando

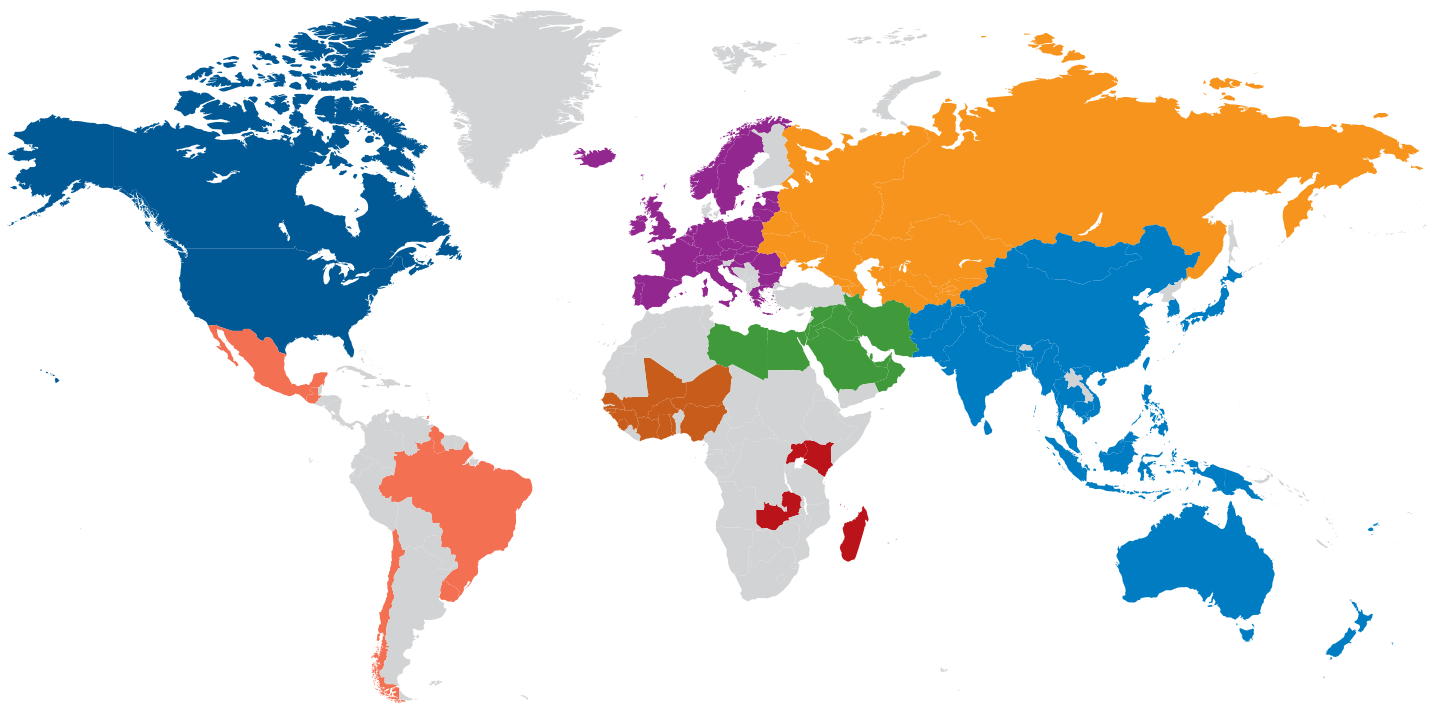
## **SECTION 4**

# **OUR PRODUCTS**

## SECTION 4 OUR PRODUCTS

### 4.1 GLOBAL PRESENCE

Outside of Sri Lanka, in over 100 countries where Dilmah teas are sold, there is a vast network of sales agents and distributors, who drive the business, visiting existing customers, finding new opportunities and perpetuating the ethics of Dilmah Tea.



**NORTH AMERICA** **SOUTH AMERICA** **EUROPE** **WEST AFRICA** **SOUTH AFRICA** **CIS REGION** **MIDDLE EAST / AFRICA** **ASIA PACIFIC**

## COUNTRIES DILMAH IS AVAILABLE IN

ASIA PACIFIC	MIDDLE EAST / AFRICA	WEST AFRICA	EUROPE	CIS REGION	EAST AFRICA	NORTH AMERICA	CENTRAL AMERICA
Afghanistan	Bahrain	Benin	Austria	Armenia	Kenya	Canada	Belize
Australia	Cyprus	Burkina Faso	Belgium	Azerbaijan	Madagascar	USA	Brazil
Bangladesh	Egypt	Ghana	Bulgaria	Belarus	Mauritius		Chile
Brunei	Iran	Guinea Bissau	Czech Republic	Georgia	Seychelles		Guatemala
Cambodia	Iraq	Guinea Conakry	Estonia	Kazakhstan	Uganda		Guyana
China	Israel	Ivory Coast	France	Kyrgyzstan	Zambia		Mexico
Fiji	Jordan	Mali	Germany	Moldova			Trinidad & Tobago
India	Kuwait	Nigeria	Greece	Russia			Uruguay
Indonesia	Lebanon	Sierra Leone	Hungary	Tajikistan			
Japan	Libya	Togo	Iceland	Turkmenistan			
Malaysia	Malta		Ireland	Ukraine			
Maldives	Oman		Italy	Uzbekistan			
Mongolia	Palestine		Latvia				
Myanmar	Qatar		Lithuania				
Nepal	Saudi Arabia		Netherlands				
New Zealand	Syria		Norway				
Pakistan	UAE		Poland				
Papua New Guinea			Portugal				
Philippines			Romania				
Singapore			Slovakia				
South Korea			Slovenia				
Sri Lanka			Spain				
Taiwan			Sweden				
Thailand			Switzerland				
Vietnam			United Kingdom				



## 4.2 OUR TEAS

The Dilmah Seven Star Luxury Tea experience offers a range of teas and Point of Sale Material (POSM) items suitable for any hospitality venue. The Dilmah Premium, Single Region, Fun and Green teas and Infusions along with the contemporary Exceptional teas, Watte boutique teas, t-Series designer gourmet teas and the exclusive Teamaker's Private Reserve offer a range of teas suitable for Hotel/Resturent/Cafe (HORECA), economy and seven star properties.



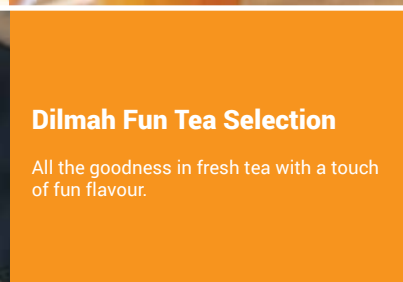
### Premium Ceylon Single Origin Tea

Finely balanced richness, flavour, strength and aroma for the perfect tea. Tea perfect for everyday drinking from the central highlands of Sri Lanka, reputed for its brightness and medium strength.



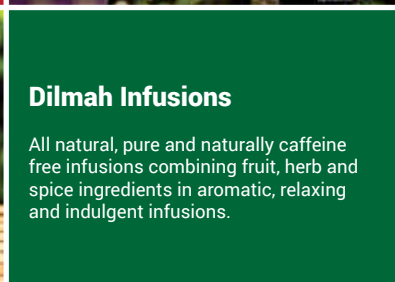
### Dilmah Natural Green Tea Selection

A selection of natural Green Teas including Green Tea with Jasmine Flowers, Moroccan Mint Green Tea, speciality Ceylon Green Tea and Sencha.



### Dilmah Single Region Selection Tea

The Dilmah Single Region Selection teas embody the distinct flavours of the areas in which they grow. Each variety is handpicked from a specific region in Sri Lanka giving it a unique flavour not found elsewhere.



### Dilmah Ceylon Green Teas

The world's finest green tea, handpicked and crafted by Dilmah in Sri Lanka.

### Dilmah Single Region Selection Tea

The Dilmah Single Region Selection teas embody the distinct flavours of the areas in which they grow. Each variety is handpicked from a specific region in Sri Lanka giving it a unique flavour not found elsewhere.

### Dilmah Organic

Dilmah presents a selection of certified organic teas and infusions designed to enhance a natural lifestyle.

### Dilmah Infusions

All natural, pure and naturally caffeine free infusions combining fruit, herb and spice ingredients in aromatic, relaxing and indulgent infusions.





## Vivid Selection of Teas

A vibrant selection of teas that celebrate the diversity of real tea

## Dilmah Exceptional

Dilmah Exceptional teas and infusions offer a range of handpicked teas and herbal infusions in deliciously different combinations that together form a contemporary and indulgent selection.



## Dilmah t-Series Designer Gourmet Teas

A collection of teas individually selected by Merrill J. Fernando, Founder of Dilmah, with the objective of celebrating the variety, individuality and the spectrum of tea.



## Silver Jubilee Gourmet Selection

A range of exquisite teas that celebrate 25 years of the goodness of Dilmah



## Dilmah Watte Series

The Dilmah WATTE (meaning estate) series represents the unique qualities of select tea gardens in the four primary Ceylon Tea growing regions; from dark, full-bodied low elevation teas, to the light, bright teas grown at the highest mountain elevations.



## Dilmah Iced Tea

Dilmah's relentless commitment to delivering the best tea to the world has seen the company take over five years to develop a premium Iced Tea using tea leaves grown and handpicked from the family tea gardens in Sri Lanka.



## Teamaker's Private Reserve

The Teamaker's Private Reserve is an eclectic collection of rare, fine teas. Each handpicked by Merrill J. Fernando, Founder of Dilmah they are chosen to present the indulgent pleasure in tea.

## Dilmah Real Tea Cordial

The DILMAH TEA CORDIAL is made from fresh tea, & not from teas which had been processed several months ago. It is the only tea concentrate made with 100% Pure Ceylon Tea, sourced from a single estate. The fresh tea is converted to a high quality concentrate within hours of harvesting.



### 4.3 OUR MOST LOVED BRANDS

With the resurgence of tea and the increased appreciation of tea culture, tea has become a modern, must have experience within the global hospitality industry. Dilmah fuses quality and authenticity with the sensory adventure that tea offers to form the seven star Luxury Tea Experience, which aims to change the way the world perceives tea.

**The Dilmah Seven Star Luxury Tea experience offers a range of teas suitable for any hospitality venue.**







“Our business was founded 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.”

-Merrill J. Fernando

## **SECTION 5**

# **OUR PLANET**





## SECTION 5 OUR PLANET

### MANAGEMENT APPROACH

At Dilmah we monitor and reduce our direct and indirect impacts on the environment by making our operations more efficient, while being fully compliant with all relevant environmental standards and regulations.

As we strongly believe conservation is ultimately about people and the future of the human race that in engaging with the environment we strive to:

1. Reduce the environmental impact of our operations
2. Replenish, restore and rejuvenate the environment and educate people

### DILMAH'S ENVIRONMENTAL MANAGEMENT SYSTEM

Our Environmental Management System (EMS) is the primary tool we use to minimize our environmental footprint and grow our ecological footprint. Our EMS is ISO 140001 (2004) accreditation.

Key focus areas of the EMS include;

1. Managing atmospheric emissions and climate change
2. Energy management
3. Water management
4. Materials and waste management

The EMS is supervised by the Company's Quality Assurance and Sustainability Function and by our various divisional heads. In addition, we use our stakeholder engagement process, captured on pages 25 to 27, to identify strategic points of intervention

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 our performance. The company has not identified any non-compliance with environmental laws and regulations during the reporting year.

### 5.1 ENVIRONMENTAL PERFORMANCE

We monitor and reduce our direct and indirect impacts on the environment by making our operations more efficient. Dilmah continued to improve its performance in 2016/17, as demonstrated by a track record of excellent compliance with regulatory requirements and established leadership in environmental and sustainability management.

ASPECT	MEASUREMENT	2016/17	2015/16	2014/15
Carbon Footprint	tCO2e	3134	2480	2480
Energy Consumption Decreased by 10.6%	Electricity – Grid (GJ)	10,966	12,267	11,333
	Solar Power (GJ)	1212	514	514
Water Consumption Decreased by 8%	(m3)	20,139	21,982	22,723
Waste Hazardous	Kg	105	100	-
Waste Non-Hazardous	Kg	361,588	272,498	-

## 5.2 EMISSIONS AND CLIMATE CHANGE

Our EMS aims to reduce the impact of our emissions on climate change. We ensure that we are within the stipulated statutory limits. The Greenhouse Gas Protocol developed by World Resources Institute (WRI), World Business Council for Sustainable Development (WBCSD) and ISO 14064 standard (published in 2006) is part of the ISO 14000 series of International Standards for environmental management, has been used to measure and report on the carbon footprint of the organization.

### MANAGING ATMOSPHERIC EMISSIONS

The monitoring of atmospheric emission levels is done every year by an independent third party approved by the Central Environmental Authority (CEA) of Sri Lanka. Emission levels during the year were within the limits set down by the CEA. The company activities do not result in ozone depleting emissions.

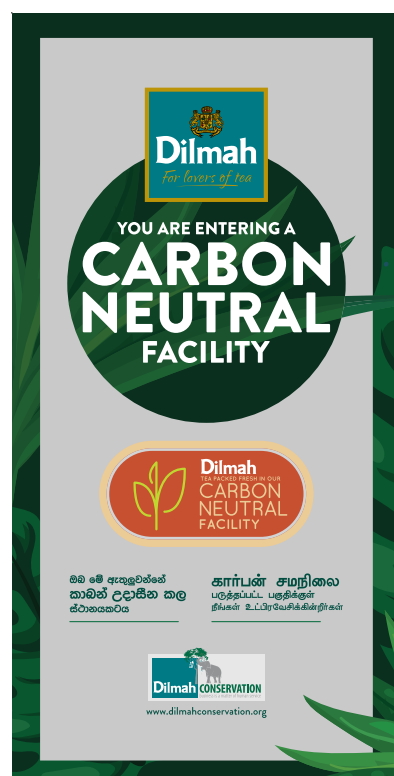
15 emission sources were taken in to account for calculations. This year our scope 3 calculation included finished good transportation via sea and air, business travels, employee commuting, waste disposal, municipal water and electricity transmission and distribution losses. 2016/17 calculation portrays a more precise figure and opportunity for improvement and enhanced management of emissions in the following year.

### CARBON FOOTPRINT

EMISSION	2016/17	2015/16	CHANGE FROM PREVIOUS YEAR	EMISSION INTENSITY (tCO <sub>2</sub> e PER RS. 1 MILLION OF NET TURNOVER)		EMISSION INTENSITY (tCO <sub>2</sub> e PER TONNE OF TEA PRODUCED)	
	tCO <sub>2</sub> e	tCO <sub>2</sub> e		2016/17	2015/16	2016/17	2015/16
	tCO <sub>2</sub> e	tCO <sub>2</sub> e		2016/17	2015/16	2016/17	2015/16
Scope 1	708	779	-71	0.10	0.11	0.13	0.11
Scope 2	1432	1776	-344	0.20	0.24	0.25	0.26
Scope 3	994	263	731	0.14	0.04	0.18	0.04
Total	3134	2816	318	0.43	0.39	0.55	0.41

## 5.3 CARBON NEUTRAL DILMAH

The first sustainability report for Dilmah was completed in 2011 by the International Union for the Conservation of Nature (IUCN) Sri Lanka. This eventually led to a comprehensive analysis of Dilmah's carbon footprint being carried out by Dilmah Conservation together with the University of Colombo in 2013, resulting in the development of a Carbon Neutrality Action Plan which focused on four main areas; Energy, Transportation, Water and Waste. In addition, the plan included further recommendations that Dilmah could take such as conducting internal training and awareness programs, improving energy and resource efficiency through the implementation of innovative schemes, adding to renewable energy sources and implementing other alternatives reducing emissions. In 2014, Dilmah Founder, Merrill J. Fernando pledged to become a Carbon Neutral facility by 2017, paving the way for Dilmah to take the necessary steps required for its operations to reach net zero carbon emissions and, thereby, reduce its environmental impact and interlinked climatic consequences.



### 5.3.1 PRODUCTION OF RENEWABLE ENERGY

**1. HYDROPOWER** - Hydropower will be the largest power generation method contributing over 90% to the carbon neutral programme. The following locations of Kahawatte Plantations have been identified as the credible sites for power generation including Kataboola, Queensbury, Haupe and Windsor

**2. SOLAR POWER** - Two solar power plants (100kWh and 150kWh) have been installed at the Dilmah Headquarters in Peliyagoda; the average solar energy generated for 2016 was 141.125 MWh, which is a reduction from the previous year which generated 144.34 MWh. (519,624 MJ) 2016/17 solar power consumption is presented in page 44-45.

NAME OF THE SITE	LOCATION	WATER SOURCE	STATUS	HEAD(M)	CAPACITY
Kataboola	Nawalapitiya (Kadiallena)	Korawakkaoya	Off grid plant 30 kW	33	100 kW
Wellandura	Kahawatte	Naminikanda	Off grid Plant 40 kW	85	80 kW
Craighead	Nawalapitiya (Dolosbage)	-	Abandoned	514	514
Westhall	Nawalapitiya	Rilagala Reservoir	Abandoned	120	200 kW
Queensberry	Nawalapitiya (Kolapathana)	Ginganoya	New	100	100 kW
Wellandura	Kahawatta	Naminikanda	New	70	100 kW



### 5.3.2 OTHER PROJECTS

#### BIOCHAR PRODUCTION

Activities pertaining to the conversion of waste tea into biochar continued over 2016-17. Large scale biochar applications were completed in several Dilmah plantations, which have yielded extremely positive results for productivity. Several estates in Kahawatte Plantations, were selected for biochar applications; on account of the varying agronomic and climatic conditions of the estates. At present, research is being conducted at Endana

Estate with the aim of evaluating 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 patent for the prototype biochar reactor developed in 2013-14 has been filed and is pending.

#### FIREWOOD DRYER

With the objective of reducing the usage of firewood in the production of tea by 20%, Dilmah Conservation successfully designed and tested an innovative firewood dryer at Rilhena Estate. Following the success of the trials, this firewood dryer was installed at the following Estates; Endana, Houpe, Opatha, Pelmadulla and Wellandura. According to the results obtained from the trials it is anticipated that the reduction of firewood usage could be as high as 50%. Approximately 35 trees are saved per month at Houpe Estate with the installation of this firewood pre-heater. 75m<sup>3</sup> of firewood is saved per month (equivalent to 35 trees).

Firewood Pre-heater (Houpe Estate)

Per month results for processing 60,000 kg of leaf	Before	After	Saving
Installation F/w Pre-heater	160Kgs MT	200Kgs MT	75cumts Firewood



## 5.4 ENERGY CONSUMPTION

Dilmah's main sources of energy are electricity, solar power, diesel and petrol. A summary of the total consumption for the year is presented below;

DESCRIPTION	UNITS	2016/17
Diesel For Staff Vehicles	GJ	0.007
Diesel For Generator	GJ	0.004
Petrol For Vehicles	GJ	0.016
Electricity	GJ	10,966
Solar Power	GJ	1211
<b>Total</b>	<b>GJ</b>	<b>12,177</b>

In addition to the 150kW solar power plant which was established in 2016/17, the company has taken the following measures to reduce the overall energy consumption;

- Machine and process modifications; i.e Tea bagging machine - 220 bags/minute to 300bags/ minute
- Replacement of fluorescent lighting with LED technology
- Setting air conditioning units at a constant minimum of 24c° or over
- Inculcating a culture amongst the staff of 'switching it off' when not in use
- The use of natural light where possible

### 5.4.1 GRID ELECTRICITY

Key sources of energy for the reporting year are Ceylon Electricity Board (Grid Electricity) and renewable sources. More than 90% of the electricity consumption accounts for the tea processing and packaging operations, while the balance energy is consumed for office functions.

Dilmah CTC PLC 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. The total electricity consumption for the reporting year is 10,966 GJ

### ELECTRICITY CONSUMPTION

MONTH	TOTAL GENERATION (KWH)	TOTAL GENERATION (GJ)
April 2016	204,636	737
May 2016	238,930	860
June 2016	234,297	843
July 2016	209,862	756
August 2016	269,059	969
September 2016	339,106	1,221
October 2016	253,055	911
November 2016	261,267	941
December 2016	194,346	700
January 2017	226,964	817
February 2017	263,332	948
March 2017	351,267	1,265
<b>TOTAL</b>	<b>3,046,121</b>	<b>10,966</b>

### 5.4.2 SOLAR POWER

Dilmah 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. The following table provides information on our energy generation through renewable sources.

### SOLAR POWER GENERATION

MONTH	100 KWH		150 KWH	
	Total generation (Kwh)	Total generation (GJ)	Total generation (Kwh)	Total generation (GJ)
April 2016	12,770	46	-	-

May 2016	9,338	34	7,783	28
June 2016	10,282	37	14,251	51
July 2016	11,752	42	18,266	66
August 2016	13,135	47	21,299	77
September 2016	11,846	43	19,054	69
October 2016	12,408	45	19,285	69
November 2016	10,878	39	16,600	60
December 2016	12,599	45	18,769	68
January 2017	12,855	46	19,313	70
February 2017	12,278	44	18,642	67
March 2017	12,711	46	20,457	74
<b>TOTAL</b>	<b>142,852</b>	<b>514</b>	<b>193,720</b>	<b>697</b>

## 5.5 WATER USE

The total water consumption in the reporting year is 20,859 m<sup>3</sup>. Water is primarily used for equipment washing, drinking and employee sanitary functions. Secondary uses include store cleaning, tea making for employees. The Core operation of Dilmah, which is blending and packaging of tea does not require water.

The main source of water is the National Water Supply. A minor volume of fresh water extracted from two deep wells are used for gardening purposes. During the year under review, water consumption decreased by 8% when compared to the previous financial year. Periodic waste water analysis is conducted to ensure that waste water treatment is effective and within stipulated legal limits.

pH value, Chemical Oxygen Demand (COD), Biochemical Oxygen Demand (BOD), Total Suspended solids, and Oil/Grease content, are below the tolerance level designated by the CEA. pH and chlorine levels are daily monitored. COD, BOD and total suspended solids are monitored quarterly by an independent third party. All water samples were found to be well below stipulated tolerance levels in the past year.

DESCRIPTION	WATER USAGE (M3)		
	2016/15	2015/16	2014/15
<b>Municipal Water</b>	20,139	21,982	22,723
<b>Ground Water</b>	720	720	720
<b>Total</b>	20,859	22,702	23,443

## 5.6 MATERIAL AND WASTE MANAGEMENT

### 5.6.1 MATERIALS

We consume a wide range of materials in our daily operations. The key material used in our supply chain activities is tea. Tracking material consumption facilitates efficiency improvement of the material usage and cost of material flow. There has been a 0.2% decrease in wastage in proportion to usage in 2016/17. Our target is to minimize total tea wastage to less than 1% of the usage.

Other materials disposal is discussed in detail under waste management.

MATERIAL	TYPE	MEASUREMENT	QUANTITY	
			2016/17	2015/16
Tea	Renewable	kg	5,663,980	6,868,192
Tea Waste	Biodegradable	kg	59,713	90,140

## 5.6.2 WASTE

### Waste by Type and Disposal

Dilmah ensures best practicable environmental option for each waste stream while maintaining safe and legal disposal of waste and records of waste details and payment information. Total wastage for the reporting year is 362T/annum and per capita Wastage is 0.4T/annum. In addition to bins placed in individual workstations, colour coded bins and bins with signage are strategically placed in the production floor and dining area to facilitate segregation of waste at source according to their nature.

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.

30 CPUs, 19 monitors and 7 Docking stations, including other electrical equipment were donated to an external organization.

As a policy, the company does not permit the release of any organic or inorganic solid or other similar material into natural water bodies and prohibits open burning of waste. Waste that is not re-used or recycled by Dilmah are handed over to a contractor for re-use, recycling, material recovery, energy recovery and incineration.

### HAZARDOUS WASTE

Waste is segregated at source into hazardous and non-hazardous waste according to our waste segregation and disposal guidelines. Majority of the waste is sent for processing through a third party. This process eradicates waste and reduces overall greenhouse gas emissions otherwise released by incineration, decomposition or degradation in dumps or landfill.

### NON-HAZARDOUS SOLID WASTE MANAGEMENT

Dilmah operates a system of segregation for nonhazardous solid waste, separating it according to organic material, paper, polythene and plastic. Colour coded bins are provided in dining areas to segregate food from wrapping material, as waste food is given to a third party for use as animal feed.

WASTE TYPE	NATURE	DISPOSAL METHOD	UNIT	TOTAL KG PER ANNUM	PERCENTAGE
Aluminum Foil	Non-hazardous	Recycle	kg	63	0.02%
Boxboard	Non-hazardous	Recycle	kg	8,888	2%
Cardboard	Non-hazardous	Recycle	kg	69,978	19%
Cardboard Reel Core	Non-hazardous	Recycle	kg	7,470	2%
Food	Non-hazardous	Animal Feed	kg	36,667	10%
Inners	Non-hazardous	Recycle	kg	16,031	4%
Iron	Non-hazardous	Recycle	kg	2,480	0.7%
Lunch Sheets	Non-hazardous	Landfill	kg	4,294	1.2%
Medical & Microbiology	Hazardous	Incineration	kg	105	0.03%
Metal	Non-hazardous	Recycle	kg	910	0.3%
Newspaper Bail	Non-hazardous	Recycle	kg	1,073	0.3%
Paper	Non-hazardous	Recycle	kg	1,473	0.4%
Plastic	Non-hazardous	Recycle	kg	1,291	0.4%
Polythene	Non-hazardous	Recycle	kg	5,294	1%
Cellophane waste / Foil Scrap	Non-hazardous	Energy Recovery	kg	72,920	20%
Sanitary	Non-hazardous	Landfill	kg	403	0.1%
Tea	Non-hazardous	Bio Char/Fertilizer	kg	59,713	17%
Tea Sacks	Non-hazardous	Recycle	kg	59,200	16%
Textile Tube	Non-hazardous	Recycle	kg	13,441	4%
<b>TOTAL</b>			<b>kg</b>	<b>361,696</b>	<b>100%</b>

WASTE TYPE	NATURE	DISPOSAL METHOD	UNIT	VOLUME	PERCENTAGE
per Annum	Non-hazardous	Recycle	kg	63	0.02%
CFL Orange Brand	Hazardous	Extraction & Recycle	units	270	2%
FTL Orange Brand	Hazardous	Extraction & Recycle	units	367	19%
CFL non Orange	Hazardous	Extraction & Recycle	units	349	2%
FTL non Orange	Hazardous	Extraction & Recycle	units	437	10%
Other halogen	Hazardous	Extraction & Recycle	units	24	4%

## WASTE INCOME AND EXPENDITURE

Dilmah earned a revenue of approximately Rs. 3 million from waste sales and incurred expenditure of Rs. 1.5 million on waste disposal. Orange branded CFL bulbs were collected by Asia Recyclers at no cost.

### *Income generated by selling waste*

WASTE TYPE	RS. (PER ANNUM)
Aluminium Foil	1,565
Boxboard	62,216
Cardboard	1,163,790
Cardboard Reel Core	37,350
Inners	128,248
Iron	32,240
Metal	-
Newspaper Bail	5,430
Paper	7,365
Plastic	12,905
Polythene	122,350
Tea	20,892
Tea Sacks	1,335,240
Textile Tube	107,528
TOTAL Income	3,037,119

### *Waste Expenditure*

WASTE TYPE	RS. (PER ANNUM)
Cellophane waste / Foil Scrap	1,084,200
Sanitary	297,512
CFL non Orange	2,565
FTL non Orange	65,805
Other halogen	360
TOTAL Expenditure	1,450,442



## 5.7 DILMAH CONSERVATION (DC)

The environment is central to Dilmah's business and Dilmah Conservation was established in 2007 as an affirmation of this core commitment to environmental sustainability. Dilmah directs a tenth of its profits towards social and environmental development initiatives implemented by the MJF Charitable Foundation and Dilmah Conservation.

Our continued support of United National's Global Compact and it's principle to undertake initiatives to promote greater environmental responsibility; means we do not economize on environmental initiatives at our location, but implement conservation initiatives and invest more on education and training programs and capital to maximize resource utilization.

In partnership with other organizations including but not limited to the International Union for Conservation of Nature (IUCN), Biodiversity Sri Lanka, Department of Wildlife Conservation, Department of Zoology, University of Colombo, University of Moratuwa, Sri Lanka Climate Fund and a number of professional and academic institutions including several local universities, Dilmah Conservation has engaged in promoting sustainable environmental and social development initiatives geared towards four focal areas of;

**Sustainability, Biodiversity, Heritage and Communications.**



This was followed through by the projects which revolved around the creation of reconciliation programs by using nature as a catalyst, introduction to sustainable initiatives in the spheres of agriculture and the implementation of programs on the protection of species habitat and biodiversity through public service announcements and other media.

Innovation is central to Dilmah Conservation's efforts towards mainstreaming sustainability within its initiatives and within the scope of Dilmah's operations. As such, DC is constantly seeking to improve and adapt existing mechanisms and practices towards optimizing the usage of natural resources and mitigating impacts on the environment.

Best practices and lessons learned are actively shared with relevant scientific, industrial and conservation communities worldwide. Where possible, due attention is accorded to conservation messages geared to enhance awareness.

#### 5.7.1 HIGHLIGHTS 2017/16

**Carbon Neutral Dilmah** The Dilmah Headquarters in Peliyagoda achieved carbon neutrality in 2017 following 4 years of work, calculating Dilmah's carbon footprint and taking mitigatory measures.

**One Earth Urban Arboretum** Sri Lanka's first urban arboretum established at the MJF Centre in Moratuwa with a view to educating the community on the importance of forests in our day-to-day life

**Installation of Firewood Pre-Heater** 75m<sup>3</sup> of firewood is saved per month (equivalent to 35 trees) at Houpe Estate via the installation of a firewood pre-heater to reduce the moisture content in firewood. Five more pre heaters have been setup in Rilhena, Wallendura, Opatha, Pelmadulla and Endana.

**Novel Discoveries** 62 new species were discovered in Sri Lanka via the Novel Species Initiative to date. 25 are being reviewed. At the end of this year the number would reach 100 and a coffee table book is planned.

**Eco-Innovation Awards** 7 Sri Lankan innovators were rewarded through the MFJ Eco-Innovation Awards; a unique way of promoting economic growth through innovation.

**Greening Batticaloa** 500,000 cashew trees have been planted in the Batticaloa District and a Cashew Processing Centre was established at MJF center East with a view to providing rural communities with business opportunities.

#### 5.7.2 DC SUSTAINABILITY

##### Dilmah Conservation Sustainable Agriculture Research Center (DCSARC)



The Dilmah Conservation Sustainable Agriculture Research Center (DCSARC) at the MJF Center in Moratuwa was established with the aim of supporting research on sustainable agriculture, adopting modern technologies as a means of enhancing the quality of agricultural produce, and promoting eco-friendly cultivation practices as well as the positive effects of adopting organic gardening initiatives in meeting self-sufficiency in a family's daily intake of fruit and vegetables, even with limitations in space and resources. Thus, research on organic fertilizer, pest management, hydroponic agriculture and non-soil-bound cultivation is conducted at DCSARC.

DCSARC is inclusive of a the biogas plant which contributes towards fulfilling energy requirements for cooking purposes while waste generated will be used as a biofertilizer in cultivation. At a daily waste feeding capacity of 500kg, the plant generates 5.5m<sup>3</sup> of biogas on a daily basis. Water requirements for staff are fulfilled by a rainwater harvesting system.

DCSARC comprises 4 components; '*Tikiri Kotuwa*', a Conservation Park, Community Learning Centre and Extension Programme of Sustainable Nutritional Gardens

#### CLIMATE CHANGE RESEARCH STATION

In light of the escalating climatic threats, the need for improving the space and capacity to facilitate local field research in both direct and indirect impacts of climate change in Sri Lanka has never been more crucial. Further, the dearth of scientific research in this area in Sri Lanka hinders efforts of facilitating adaptation and mitigation strategies that have already been developed around the world. Therefore, the establishment of the Climate

Change Research Station will help provide a broader understanding of climate change and help address the possible challenges that we may face along with solution strategies.

Currently being established within Dilmah's Queensberry Estate in Nawalapitiya, at an elevation of 1,645m above sea level, it will be Sri Lanka's first research station which will solely focus on climate change. The main objective is to facilitate local research on climate variability and its consequential effects on species, ecosystems and man-made systems such as large scale agricultural areas including tea plantations. Construction of the Research Station is set to be completed by September 2017.

#### *Project partners*

- Department of Zoology -University of Colombo:
- University of Peradeniya – Department of Geography and Department of Agriculture
- IWMI (International Water Management Institute)
- Sri Lanka Meteorology department
- Sri Lanka Climate Change Initiative , Ministry of Mahaweli and Environment

## **GREENING BATTICALOA**



Initiated by Dilmah Conservation in 2010 in an effort to improve green cover, mitigate the detrimental impacts of deforestation, resolve harsh climatic conditions and interlinked livelihood difficulties, as well as to economically empower local communities of Batticaloa. The initiative intends to plant 1,000,000 cashew plants by the year 2020.

Since initiation, 500,000 cashew plants have since been distributed to selected families and planted in the Batticaloa District, marking the half way point of the initiative. The 500,000<sup>th</sup> plant was planted by Dilmah Founder, Merrill J. Fernando in a ceremony held on the

3rd of February 2017 in Batticaloa. It has been estimated that with an average of 1 cashew tree yielding 1 kg of cashew nuts, the initiative is projected to inject Rs. 1 Billion each year into the Eastern Province Economy, empowering these local communities economically and in turn improving their livelihoods.

### **Establishment of the Eastern Centre**

The Eastern Centre which will serve as a hub for social and environmental development in the area through the formation of a regional agricultural network and where Dilmah Conservation's work at the DCSARC will be replicated, was officially opened on the 3rd of February 2017.

### **Cashew Processing Centre**

Dilmah Conservation has successfully completed the construction of a centre to process cashew. The Centre consists of cashew drying oven, cashew nut roasting machine and a cashew peeling machine and is now fully functional.

#### *Project Partners*

- Dilmah Conservation: Project implementation, funding and monitoring
- Sri Lanka Cashew Corporation: Technical support
- Sri Lanka Army: Maintaining nurseries and organizing distribution

## **ONE EARTH URBAN ARBORETUM**



An arboretum allows the appreciation of the natural beauty of forests, as well as demonstrating the numerous benefits trees provide to the natural environment and human life, aiding in the establishment of sustainable societies.

Inaugurated by the President of Sri Lanka, Maithripala Sirisena, on the 7th of February 2017, the arboretum promotes urban forests and show the vital role trees play in our society with their significant monetary, social and ecological values. Over 500 different types of plants and trees were successfully planted at the site, which consists of 150 types of bushes and creepers and 350 types of trees (10-15 ft. in height). A few of the types of trees that have been successfully planted are Ahu, Edaru, Erabadu, Veralu, Kaladuru, Star fruit, Ebony, Areca, Kumbuk, Coffee, Goda kaduru, Bilin and Sepalika. Some of the plants and trees at the arboretum have a QR code, which when scanned opens to the One Earth Urban Arboretum site

(<https://www.dilmahconservation.org/arboretum/>) displaying information such as the physical description and habitat of the specific species.

A model Irrigation Tank (reservoir), a small area of paddy fields, A traditional agriculture and household resource center (Heritage Center) and traditional hut was constructed to provide visitors with a better understanding of one of Sri Lanka's key agricultural heritages, how it coexists with the surrounding environment and the importance of preserving it for future generations.

### 5.7.3 BIODIVERSITY



#### UDAWALAWE WILDLIFE PROGRAMME

The Elephant Transit Home (ETH) was established in the year 1995, at the Udawalawe National Park, under the custodianship of the Department of Wildlife Conservation, Sri Lanka, with the objective of rehabilitating orphaned elephant calves for ultimate release back in to the wild.

Maintenance costs and the cost of milk are the major expenses of this project. Currently, the ETH needs 640 litres of milk every single day to keep the current residents of ETH happy and in good physical condition.

In addition to continuing to support the day-to-day activities of the Elephant Transit Home (ETH), Dilmah Conservation prioritized the refurbishment of the



information centre for visitors which was opened in 2016/17. The centre includes rich content of information and displays aimed at helping conservation efforts through raising awareness.

*Project Partners;* Department of Wildlife Conservation of Sri Lanka

#### BUTTERFLY GARDEN

*The Moratuwa Butterfly Garden*



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



environment suitable for breeding thus helping to improve the population of the butterflies.

Dilmah Conservation continues to maintain the butterfly-friendly trees and shrubs that were introduced during previous phases of the project to increase the survival of butterflies and conduct educational awareness programmes on butterflies

“Know Your Butterflies in a Day” Workshop Series:

This programme, conducted by Mr. Himesh Jayasinghe on the 8th of July 2016, educated participants on the life cycle and behaviour of butterflies and how best to conduct field work, including a session on field ethics and field notes

### NOVEL SPECIES PAVING THE WAY FOR BIODIVERSITY CONSERVATION



Although Sri Lanka is one of the 25 biodiversity hotspots in the world, the loss of habitats due to shrinking forest cover has caused an increased risk to the existence of herpetofauna in their natural habitats.

The project was initiated to address the need for current research on herpetofauna, Identify new species of reptiles and amphibians, Elevate conservation practices through the generation of scientific evidence of the existence of new species and Promote sustainable management of ecosystems with a view of conservation.

During this reporting period a new species of gecko, *Cnemaspis rajakarunai* and a new species of snake, *Dendrelaphis sinharajensis* were discovered by L.J Medis Wickramasinghe . *Rhinophis dorsimaculatus*, one of Asia’s most poorly known snakes, was re-described as well, adding clarity to its taxonomic status.

Additionally, 9 new species of lichen were discovered by Dr. Gothamie Weerakoon. The 9 new species are named, *Astrothelium conjugatum*, *Heterodermia fragmentata*, *Lecanactis minutissima*, *Megalotremis cylindrica*, *Porina*

*microtriseptata*, *Porina monilisidiata*, *Psoroglaena spinosa*, *Pyrenula multicolorata*, and *Schistophoron muriforme*, all of which were discovered on the barks of trees.

In 2017 a new programme will commence to push the new discoveries up to 100.

#### Project Partners

Herpetological Foundation of Sri Lanka ( herpetofauna) and Dr Gothami Weerakoon

### CONSERVATION OF DRAGONFLIES AND ENHANCING WATERSHED



Dilmah Conservation launched an initiative to further improve the sustainability of biological resources within and bordering the estates through the integration of biodiversity conservation principles into the management system of selected estates. Under this program IUCN conducted a rapid biodiversity appraisal of the group’s Hunuwela estate (spanning over 991.5 ha) in 2012 to produce inventories of its biological resources, to identify priority conservation actions and to provide recommendations for sustainable agro-ecological practices within the estate.

During 2016/17, Physical interventions were carried out within the estate to enhance watersheds including construction of check dams, retention ponds, and wetlands. Ecological restoration work also took place through continued habitat restoration and the establishment of a plant nursery and planting work, as well as through improved connectivity between natural areas. Furthermore, long-term plans will be developed to establish riparian buffer zones. Dilmah Conservation and IUCN Sri Lanka will also continue to carry out periodic collection of ecological data as well as regular awareness creation 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.

#### 5.7.4 HERITAGE

##### HERITAGE CENTER



Centre was constructed alongside the establishment of the One Earth Urban Arboretum. Various traditional household and agricultural items were placed in the center with their respective labels and QR codes. The centre was opened on the 7th of February 2017.

The Heritage Centre is situated at the entrance to the One Earth Urban Arboretum and houses an extensive collection of agricultural and household tools used by traditional farmers in the immediate past in Sri Lanka. The Centre was made using traditional building materials such as mud for the walls and dried coconut leaves for the thatched roof and furnished with traditional equipment such as a 'Vee Bissa' – a paddy storage unit, 'Nagula' – a type of plough and 'miris gala' – a tool used to crush spices. The centre aims to educate and create awareness on a variety of related topics such as the environmental, cultural and historic aspects to demonstrate how Sri Lanka's ancestors always prioritized safeguarding the environment.

#### 5.7.5 COMMUNICATIONS

##### PUBLICATIONS

DC FIELD GUIDES AND PUBLICATIONS FOR 2016/17	
Common Forest Trees of Sri Lanka	Launched in August 2016
Hela Batha Asiriya	Launched in February 2017
A pictorial Guide to the Dragonflies and Damselflies of Sri Lanka	To be launched in May 2017
A field guide to the Bats of Sri Lanka	To be launched in May 2017

In line with its objectives to promote greater environmental awareness and accessible nature education, Dilmah Conservation engages in the publication and distribution of a series of books focused on a range of subjects including biodiversity conservation, cultural heritage and organic agricultural practices.

##### OUTREACH AND PUBLIC ENGAGEMENT

Dilmah Conservation is committed to improving public awareness on the conservation of nature and the environment. Towards this effect, Dilmah Conservation supported a series of initiatives, events and developed numerous PR materials including a series of cartoons to increase and enhance public awareness on conservation and environmental issues and To engage with the public on conservation-related topics.

Dilmah Conservation maintains sustained engagement with the public by way of its website and Facebook page.

##### ENVIRONMENTAL LECTURE SERIES



In commemoration of the 'International Day of Biological Diversity 2016', Dilmah Conservation organized a talk hosted by Biodiversity Sri Lanka on the 19th of May 2016. The talk focused on the 2016 theme for International Day of Biological Diversity 2016 – Mainstreaming Biodiversity; Sustaining People and their Livelihoods. Dr. Donald Macintosh, Senior Advisor to Mangroves for the Future, was invited as the keynote speaker of the event and spoke on the significance of biodiversity and the ecosystem services they provide, as well as the invaluable benefits gained from mainstreaming biodiversity in private and public sector operations and from ensuring the sustainability of local livelihoods.

## SOCIAL MEDIA

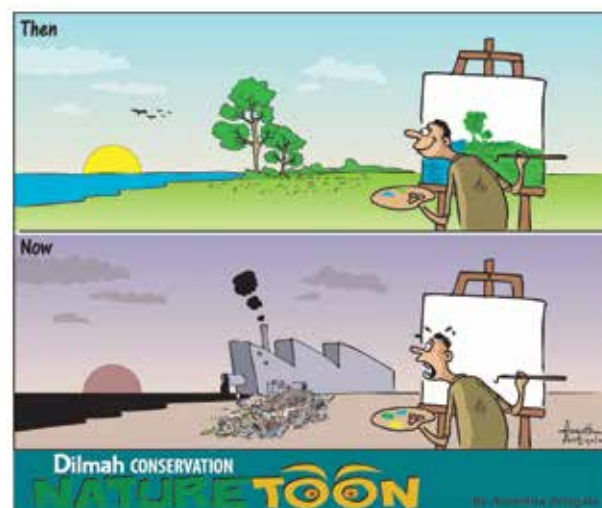


During this reporting period, Dilmah Conservation greatly enhanced its social media presence and engagement - number of Facebook followers as of 31st March 2017 stood at 32,938.

The process of updating the Facebook page followed that of the previous reporting period. Content covered a diverse range of topics both locally and globally on a weekly basis. The categories include: Significant Environmental Dates (Eg: World Water Day), Environmental and Wildlife Facts (Did You Know?), Dilmah Conservation Project Featuring Animal Profiles, Global News, Green Tips and Naturetoons.

## NATURETOON

The Naturetoon cartoon series was initiated in April 2015, and since then, it has gathered a lot of momentum, becoming the outreach activity of Dilmah Conservation that has reached the most people. The cartoons, done by renowned cartoonist Awantha Artigala, are posted on Dilmah Conservation's Facebook page weekly and need based.



## 5.8 MERRILL J FERNANDO INNOVATION AWARD

The Merrill J Fernando Innovation Awards call for breakthrough, purposeful proposals of well-developed concepts and working prototypes that seek to solve current national and global environmental issues in the areas of Waste, Water, Energy, Blue Economy and Biodiversity.



On the 18<sup>th</sup> November 2016 the winners of the Annual Merrill J. Fernando Eco-Innovation Awards were awarded with sector winners receiving a quarter million Sri Lankan rupees, the overall Concept winner receiving half a million Sri Lankan rupees and the Prototype winner, receiving total of one million Sri Lankan rupees, to develop their innovations.

## 5.9 BIODIVERSITY SRI LANKA (BSL)



### BIODIVERSITY SRI LANKA

The combination of sustaining high economic growth rates and improving the lives of marginalized communities, without compromising on environmental conservation and restoration, is one of the biggest challenges facing Sri Lanka and the Asia region as a whole.

Identifying this, IUCN, Ceylon Chamber of Commerce (CCC) and Dilmah Conservation established Biodiversity Sri Lanka (BSL), a knowledge sharing platform 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 in Sri Lanka.

Not limited to discussions; BSL Members have taken the initiative to pioneer new projects which are noted below. In this view, BSL is a platform for driving sustainability in the country and Dilmah advocates that embracing sustainability is not only good for business, but that it can also be a growth strategy. It is that belief that has led Dilmah to play a key role in facilitating BSL significantly, by funding expertise for the secretariat and ensuring sustainability of the entity.

The BSL Secretariat is located at the Ceylon Chamber of Commerce, with all administrative and secretarial functions supported by the Chamber's core divisions. A Board of Directors consisting of nine (9) members - Mrs. Dhara Wijayatilake, Dr. Ananada Mallawatantri, Mr. Dilhan C. Fernando, Mr. Chandrarathne Vithanage, Mr. Jonathan Alles, Mr. Akram Cassim, Mr. Prema Cooray, Mr. Vasanth Leelananda and Mr. Sarinda Unamboowe - all front runners in environmental sustainability and passionate wildlife enthusiasts and largely from the Private Sector directs the activities of BSL. 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, Dilmah Ceylon Tea Company PLC.

#### *Project Partners*

1. International Union for Conservation of Nature (IUCN): provide the technical and scientific support
2. Ceylon Chamber of Commerce

BSL organized 8 events within the reporting period

DATE OF EVENT	EVENT TITLE	PARTNERS
5th April 2016	Awareness program and discussion on the UN-REDD programme and the National Biodiversity Strategy and Action Plan (NBSAP)	UN-REDD, IUCN, Biodiversity Secretariat, Ministry of Mahaweli Development & Central Environment Authority
6th April 2016	IUCN Red List: Nature's Early Warning System – Learning event	IUCN
19th May 2016	World Biodiversity Day – mainstreaming Biodiversity, Sustaining People and Their Livelihoods	Hatton National Bank
Dilmah Conservation	37,350	
9th June 2016	World Environment Day “Wild for Life” – Zero Tolerance For Illegal Wildlife Trade	Sampath Bank, IEPSSL, BEEZ, University of Colombo
11th August 2016	Capacity Building Workshop on Climate Change Technology Development and Transfer	Climate Change Secretariat
30th September	-	
2016	Technical Session, First Annual general Meeting & CEO Forum	All Members
6th December 2016	Learning & Discussion Event – Mini Hydro Power Sector	Small Hydro Power Development Association
21st March 2017	Improving Water Quality & Availability in the Plantation Sector through Integrated Soil & Water Resources Management	Dilmah Conservation, IWMI

## BSL MEMBER PROJECTS

- Estimating Sloth Bear Population Densities in Wilpattu National Park – Biodiversity Education and Research (BEAR) and supported by CIC Holdings
- Castlereagh Solid Waste Management Project – Dilmah Conservation
- Knuckles Conservation Project – HSBC
- Wet-working and Conservation of the Bolgoda Wetland Complex – Sampath bank PLC and Sri Lanka Water Partnership (SLWP)

BSL produced the following bi-monthly newsletters within the reporting period, dedicating them to pre-selected themes of importance.

Issue No. 18 – May 2016: Mainstreaming Biodiversity; Sustaining People and Livelihoods

Issue No. 19 – July 2016: The Plastic Age

Issue No. 20 – September 2016: The Kelani River – A life line

Issue No. 21 – November 2016: The Migratory Flight – Birds of Sri Lanka

Issue No. 22 – January 2017: Alternate Energy is no longer an option

Issue No. 23 – March 2017: Water & Waste Water



“ *I want people to treasure tea.  
The world's best is grown here in  
Sri Lanka. We are not using it to help  
our country. Tea must illuminate our  
country and the lives of our people.* ”

- Merrill J. Fernando

## **SECTION 6**

# **OUR PEOPLE**

# EMPLOYEES

## MANAGEMENT APPROACH

The human element is our most important business resource. The impact that human capital has on business depends largely on its skills, levels of motivation and level of engagement with the Company. To amplify the impact of human capital, we have focused on creating a high-performance culture with improved levels of engagement.

Understanding employee needs and aspirations, and ensuring transparency in our dealings with employees, are fundamental to maximizing the potential of human resources.

The Company has multiple initiatives in place to improve employee engagement, attract, develop and retain talent, and thereby building the capacity and quality of our human capital. We will continue to improve these initiatives and their effectiveness. In 2017/18 significant effort will be made to further facilitate talent development, improve employee engagement and enhance workplace health & safety.

## 6.1 EMPLOYER OF CHOICE

At Dilmah our success is driven by passionate people. We are committed to creating a high-performance culture with improved levels of engagement and environmental awareness.

In the present operating environment, attracting and retaining the right talent is a persistent challenge. In response to this, we brand the Company positively as an employer of first choice. Working at Dilmah means working in an inspiring, exciting environment with career opportunities. The company encourages the organic growth of its human resources and provides training for our employees to grow and enhance their careers.

Our talent acquisition process is transparent and unbiased. We aim to attract and retain the best by providing them with opportunities to grow as individuals and members of the Dilmah Family.

**RAJA ANTON JAYAKODY** - *Production Helper*  
31 years of service



"I live alone so I consider Dilmah as my family. I received 3 service awards for completing 10, 20 and 25 years. I also built two houses, one for myself and one for my sister from what I earned. I am very grateful to be a part of this organization."

**CHRISTINE EDWARD** - *Production Helper*  
25 years of service



"I have been working here for many years and I am very happy about my job. It is fulfilling my financial needs and enabling me to raise my child which is very important for me."

**BERNADINE PERERA** - Confidential Secretary – Legal  
9 years of service



“Dilmah is my second home. I have not only gained experience but I have managed to develop my spirituality by attending the monthly prayer services at office. I enjoy the work that I do and love the team that I work with. We have great synergy and camaraderie which makes me feel inspired and motivated to give my best every day.”

**GERALD DE SILVA** - Area Manager – Food Service  
6 years of service



“There are many benefits that come with working for an international brand. Dilmah has a diverse work environment and versatile employees. I have enhanced my skills and understanding of the business through international visits and interaction with experienced professionals.”

**VAJIRA KARUNATHILAKE**  
- Head of Quality Assurance – 26 years of service



“I have been fortunate to directly work for the Founder, Merrill J. Fernando. His passion of combining traditional and novel concepts and his charismatic leadership have guided us to follow world class quality & food safety systems. His generosity towards employees is inspirational. I feel privileged as it has been a rewarding experience.”

## 6.2 PROMOTING DIVERSITY

We are devoted to ensuring that people are treated with integrity, dignity and respect. As Dilmah is a transparent and ethical brand, we inspire our employees to demonstrate honesty, straightforwardness and openness, while striving for constant improvements as team players.

We promote diversity and strive to have good relations with all of our employees. All employees are welcome to meet the directors at any available time ensuring a healthy working environment. When we do business the Dilmah way, we do so ethically, honestly and responsibly and continually encourage our suppliers and other business partners to do the same.



### 6.3 EMPLOYEE DEMOGRAPHICS & RECRUITMENT

There were 726 employees on our payroll as at the end of March 2017. This was a 12.1% decrease over the previous financial year due to streamlining our processes. The male: female ratio is 2:3 and we aim to continue a sound ratio of male to female employees.

DESCRIPTION	GENDER	NUMBER	
		2016/17	2015/16
Board of Directors	Male	3	3
	Female	0	0
Senior Managers	Male	6	5
	Female	2	2
Executive	Male	59	60
	Female	50	46
Non-Executive Production Staff & Workers	Male	223	267
	Female	383	443
TOTAL	Male	291	335
	Female	435	491
		726	826

All 726 employees have been recruited on full time basis. The company has not recruited any part time employees in the reporting year.

538 permanent staff and 188 temporary staff were employed in the company as at 31 March 2017. All permanent probation staff are absorbed into the permanent cadre after completing 1 year of probation.

GENDER	PERMANENT STAFF	PERMANENT PROBATION	TEMPORARY STAFF
Male	228	27	36
Female	237	46	152

Total recruitments for the reporting year is 230. Rate of hire by Male and Female categories are 23.1% and 73.9% respectively, similar to the previous year.

DESCRIPTION	GENDER	STAFF			
		2016/17	2015/16	Rate of Hire by Category (%) in 2016/17	Rate of Hire by Category (%) in 2015/16
Board of Directors	Male	0	0	0	0
	Female	0	0	0	0
Senior managers	Male	1	2	0.4	0.4
	Female	0	0	0	0
Executive	Male	13	4	5.7	0.7
	Female	9	12	3.9	2.2
Non-Executive	Male	2	10	0.87	2
	Female	4	6	1.74	1
Production/Worker Staff	Male	44	135	19.13	25
	Female	157	379	68.3	69.2
TOTAL	Male	60	151	26.1	27.6
	Female	170	397	73.9	72.4

## 6.4 EMPLOYEE BENEFITS

In addition to the benefits and welfare schemes noted below, dormitory facilities are provided for all female staff in production/worker category. (Full time, part-time and casual) The new dormitory was inaugurated in 2016/17 and provides accommodation for 54 employees at present.

Benefits which are standard for full time employees are as follows;

### HEALTH CARE

All permanent executives and above inclusive of spouse and children below 18 years of age are eligible to claim for health care, and dental in the event of hospitalization or general treatment. Applicable limits vary with the employee category. Medical coverage varies with cadre and executive category. All non-executives (employee only) are also eligible for the above.

### MATERNITY LEAVE

All female employees are eligible for approximately 3 months of maternity leave.

## 6.5 WELFARE



Schemes that benefit our employees have been continued throughout.

## LOAN SCHEMES

Permanent employees with 5 years of service are eligible for loans for the following categories; Education Assistance, Housing, Funeral Assistance, Celebrations, Medical, Emergency and self-employment.

## DEATH DONATION

In the event of a death in the family; spouse, parents and children upto 21 years of age, all confirmed employees will be eligible for the specified donation.

## FOOD SUBSIDY SCHEME

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. 1/3rd of the cost is borne by MJF Charitable Foundation and 2/3rd is deducted from the monthly salary of the employee. On average 200 employees benefited each month in 2016/17.

## SCHOLARSHIP

Dilmah offers Scholarships for the children of employees with 5 years of service. This program is also continued based on performance at the O level or A Level examination by the children. A total of 30 new scholarship applications were awarded in 2016/17.

## EVENTS

- All factory staff participated in the Workers Annual event held at Ramadiya held early December.
- Staff Christmas Party and carols were held at Jaic Hilton in December for Executive and above categories and Non-Executive - Clerical category
- Children (under 12) of existing employees participated in the Children's Christmas Party held in Peliyagoda

## 6.6 EMERGENCY PREPAREDNESS

Procedures and practices are in place to ensure the safety of employees and property in emergency situations. Regular training is provided for staff of the Security Department on fire drills and on other emergencies.

Monthly training sessions on fire drills and other emergencies were held for staff of the security department. A mock fire drills are scheduled biannually for all the employees. No injuries in relation to emergencies have occurred in the factory for the reporting year.

## 6.7 HEALTH AND SAFETY (H&S)

The company strives to provide a healthy and safe working environment with a focus on prevention of accidents and occupational hazards whilst complying with applicable legal requirements. State of the art equipment are used in production and awareness measures are initiated to ensure prevention of accidents and hazards.

### H&S TRAINING AND AWARENESS

Briefings on safety precautions and job supervision are carried out frequently by supervisors. Specialized training and awareness programs are offered to all production staff who have a higher susceptibility to workplace accidents. Multiple sessions were conducted for each listed program. To promote healthy eating habits, the company provides a healthy green juice 'Kola Kanda' to all production staff at no cost daily.

- First Aid Training
- Personal Hygiene
- Communicable Diseases
- Accident Prevention
- Healthy Eating Habits and Recommended Dietary Intake

### MEDICAL CHECKS

Minor cases including headache, fever, minor wounds were treated by the on-site accredited nurse, employed by the organization on a full time basis. Approximately 300 minor cases are treated monthly.

### WORKPLACE ACCIDENTS

Despite numerous accident prevention measures, the total workplace accidents reported in 2016/17 are 11. This is an area that has been identified for improvement in 2017/18.

## 6.8 TALENT DEVELOPMENT

All employees undergo induction consequent to being recruited to the company. Thereafter, Job specific training is provided and referred to at the point of confirmation. In addition to the highlighted training programs below, employees were subjected to other employee specific training

### - EMPLOYEE PERFORMANCE REVIEW

Performance reviews are carried out to assess the performance and to identify administrative and development requirements, as well as help employees accomplish both personal growth and organizational goals. Systematic evaluations are held quarterly during probation and held bi-annually consequent

to confirmation. Salary increments are based on performance and review ratings. Approximately 700 employees were subjected to bi-annual performance reviews in 2016/17.

### - EDP (EXECUTIVE DEVELOPMENT PROGRAM) 12 SESSIONS

23 Senior Managerial Staff attended a 12 day training program facilitated by Post Graduate Institute of Management (PIM). The program was designed and coordinated by PIM based on company requirements. Each group was assigned a program and assessed.

Stage 2 of the program - EDP for Middle level managers will commence in 2017/18

## 6.9 EQUAL OPPORTUNITIES

Dilmah has an enduring commitment to providing equal opportunity, equal pay for equal work and intolerance of discrimination and harassment. The Company does not tolerate disrespectful or inappropriate behavior, unfair treatment or retaliation of any kind. We are dedicated to maintaining workplaces that are free from discrimination or harassment on the basis of race, sex, color, national or social origin, religion, age, disability, sexual orientation, political opinion or any other status protected by applicable law. The basis for recruitment, hiring, placement, training, compensation and advancement at the Company is qualifications, performance, skills and experience. The Company compensates employees competitively relative to the industry and local labor market and operate in full compliance with applicable wage, work hours and overtime.

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.

## 6.10 HUMAN RIGHTS & ANTI-HARASSMENT

The company fosters an inclusive culture in which all are treated with respect. The Dilmah Human Rights policy is applicable to all employees, suppliers, visitors and business partners that interact with the company.

Dilmah is committed to identifying, preventing, and mitigating adverse human rights impacts resulting from or caused by our business activities before, or if they occur, through human rights due diligence and mitigation processes.

The Company prohibits the use of all forms of forced labor, including prison labor, indentured labor, bonded labor, military labor, slave labor and any form of human trafficking and child labor.

## **6.11 ANTI-CORRUPTION**

Wherever we may operate, we are committed to doing so lawfully, ethically and with integrity. All company association persons are required to comply with internal policies and any anti-bribery and anti-corruption legislation that applies in any jurisdiction, in any part of the world in which they might be expected to conduct business, act honestly, responsibly, safeguard and uphold Dilmah's core values at all times.

All employees are required to comply with the payment procedures which have been issued by the Finance Department. Accounts, receipts, invoices and other documents and records relating to transactions with third parties must be prepared and maintained with strict accuracy and completeness. No accounts are kept off the record to facilitate or conceal improper payments. All charitable contributions are transparent and appropriately recorded. Periodic audits on payment procedures were carried out by the Inter Audit department and reports are submitted to the audit committee of the company.

The Company encourages all employees and associated persons to report any unlawful conduct, financial fraud, suspicions or concerns. All claims are treated confidentially. Prompt action is taken against retaliation in any form against anyone for raising concerns or reporting what they genuinely believe to be improper.



# COMMUNITY

## MANAGEMENT APPROACH

At Dilmah we strive to maximize our positive impact on society. One of the ways in which we do this is by creating more opportunities for society and by assisting people grow in many different ways and to the best of their abilities.

Rs 70 million (USD 500,000) were spent on community initiatives in the year under review. Our engagement with society has several different facets. We are committed to being responsible to society by doing no harm and where that is not possible, by mitigating our social harm. The company has not identified any non-compliance in the social and economic areas we operate in during the reporting year.

In fulfilling our Founders pledge to make Dilmah a genuinely ethical business, our commitment to integrity goes beyond our regulatory and legal obligations. We strongly believe that we must act responsibly with regard to the communities in which we operate and with whom we have regular contact.

As shown in the strategy illustration, key focus areas are

- Vulnerable Women and Men Provide for Themselves and Their Families in a Sustainable Manner
- All Boys and Girls are Given a Chance to Dream and have an Opportunity to Achieve Them
- National Infrastructure and Policy Supports Access and Equity for All



## 6.12 MJF CHARITABLE FOUNDATION

Settlor of the MJF Charitable Foundation, Merrill J Fernando conceived in the 1950s, the idea of a business that would help restore the fortunes of his county's ailing tea industry, and its million or more direct dependents, whilst sharing the benefits of that business with the community. He strongly believed that no business was possible without the combined efforts, involvement and commitment of workers, staff, clients and consumers.

The establishment of the MJF Charitable Foundation marked the evolution of the founder's philosophy, from caring for staff, to a wider group of tea estate workers, and finally to a national level.

The MJF Charitable Foundation represents an alternative economic model, and it is much more than a charity because it represents a genuinely sustainable and fair way of doing business. This 'way' acknowledges that social justice and the environment are integral elements in any business process. Not as options and not as part of a marketing led Corporate Social Responsibility (CSR) strategy but as a core feature of the company's objectives.

By 2017, the Foundation has directly or indirectly benefited the lives of 100,000 underprivileged Sri Lankans. That benefit will expand as the business of the Dilmah tea company and necessarily, its social obligation, widen – synergistically and symbiotically.

### 6.12.1 FOUNDATION TRUSTEES

Merrill J. Fernando  
Settlor of the MJF Charitable Foundation

#### TRUSTEES

James Selvam Mather  
K. R. Ravindran  
Rajan Asirwatham  
Malik J. Fernando  
Dilhan C. Fernando

<b>6.12.2</b> <b>Foundation</b> <b>Strategy 2020</b>	<b>SO 1.0</b> Vulnerable Women and Men Provide for Themselves and Their Families in a Sustainable Manner	<b>1.1</b> Women are Protected and Self Sufficient with Better life Chances
	<b>SO 2.0</b> All Boys and Girls are Given a Chance to Dream and have an Opportunity to Achieve Them	<b>1.2</b> Women and Men have access, knowledge, skills and investment to increase their standard of living
		<b>2.2</b> Youth Are Provided with Life Changing Opportunities to Prepare Them for Adulthood
		<b>2.1</b> Children are nurtured and have the means of exploring their skills and interests
	<b>SO 3.0</b> National Infrastructure and Policy Supports Access and Equity for All	<b>2.3</b> Children with Special Needs are Supported Nurtured and Better Integrated into Society
		<b>3.1</b> Enhanced Rural and Urban Infrastructure and Value Chain Mechanisms
		<b>3.2</b> Ongoing Contributions to National Policy Promote Economic and Social Growth and Address the Needs of Vulnerable and Marginalised Populations
		<b>3.3</b> Mainstreaming of Resources to Support the Differently Abled
<b>Women, Men,  Girls and Boys  Control Their Own  Future and Give  Back to Their  Communities</b>		

## 6.13 MJFCF HIGHLIGHTS 2016/17

### CHILD DEVELOPMENT CENTRES

Provide care and nutrition to approximately around 2,100 plantation kids, daily in 83 Child Development Centres

### CULINARY INSTITUTE

Creates new avenues, for approximately 60 disadvantaged youth annually, in the gastronomy and hospitality industries of Sri Lanka. The first batch of 17 students graduated in February 2017.

### KOUL ARA SCHOOL OF INSPIRATION

Touches the lives of over 50 village children under 5 years of age who are taught to express their creativity and think critically in their journey towards achieving a better future.

### ESTATE HOUSING PROJECTS

Enable the estate workers to lead dignified lives. The MJF Charitable Foundation has built 49 houses for the estate workers at Dunkeld.

### SMALL ENTREPRENEUR PROGRAMME

Poverty alleviation through assistance for vocational based business. Over 1,807 individuals have been supported.

### MJF DHIRIYA RESOURCE CENTRES SIYAMBALANDUWA AND PAHALALANDA

Educational and vocational training for 300 rural youth, annually. Over 2,500 graduated to date.

### MJFCF EDUCATIONAL SCHOLARSHIP PROGRAMME

supports 192 children of Plantation workers and from the other Centres in the Universities and a further 166 to complete their Advanced level exams.

### RAINBOW CENTRE

Holistic development of 120 children and youth with special needs in Moratuwa.

### MJF KIDS PROGRAMME

has exposed 1,000 underprivileged children annually to a life of possibility over the past decade at its 7 Centres.

### CURTISS INSTITUTE FOR DESIGN

Supporting youth from low income families to excel in the area of graphic design. 476 graduated up to now.

### SWASHAKTHI BAKERY & TEA ROOM

Provides sustainable means of income for about 35 less privileged, daily

### CRICKET LIVE PROGRAMME

Using cricket as a medium to develop marginalized kids and improve school attendance. So far 348 have benefited.

### WOMEN'S DEVELOPMENT PROGRAMME

Train over 120 women in marketable life skills either for use in their home or with the option to reach entrepreneur levels.

### NATIONAL CENTRE FOR CEREBRAL PALSY AND DEVELOPMENTAL DISORDERS

Restoring the dignity of children/ youth with CP & Developmental Disorders. Supports 50 children at present.

### LOCAL HEROES

Using the individual talent and their entrepreneurial skills developed as part of the SEP for the benefit of the wider community. The project has established 7 such local heroes up to now.

### PRISON REFORM & INTEGRATE SEP

Reintegration of 249 former prisoners through livelihood support and mentoring.

## 6.14 PROJECT LOCATIONS

### 6.14.1 MJF KIDS PROGRAMME

Locations: Peliyagoda, Moratuwa, Pallansena, Siyambalanduwa, Udawalawe, Koul Ara Pahalalanda and Point Pedro

MJF Kids Programme in summary

	ON ROLL	AV. DAILY ATTENDANCE	NO. OF INSTRUCTORS	FREQUENCY OF SESSIONS
Peliyagoda	130	80	24	Daily
Moratuwa	120	50	24	Daily
Pallansena	50	40	08	Daily
Dhiriya- Siyabalanduwa	250	140	10	Daily
Point Pedro	300	190	22	Daily
Uda Walave	35	32	3	Daily
Koul Ara	35	35	2	Daily
Pahalalanda	80	60	6	Daily
<b>Total</b>	<b>1000</b>	<b>627</b>	<b>99</b>	<b>Daily</b>

The MJF Kids program is operational across the country. It provides holistic development opportunities to nearly 1,000 marginalized children on a daily basis with school and extracurricular activities including carpentry, sewing, cookery, puppetry, yoga, sign language, music and dance, scouting and guiding, swimming, home gardening and environmental conservation in six locations. The Pahalalanda Kids program in Ampara commenced in February 2016 and a dilapidated old Pre School in Koul Ara, off Udawalawe, was transformed into a state of the Art pre-school and aptly named as the School of Inspiration, in March 2016.

The Children at Moratuwa, Peliyagoda and Point Pedro were also supported with the nutritional program 3 - 5 days a week.

Under the “12 Things for Christmas” initiative of the MJF Group, the Peliyagoda MJF Kids engaged themselves in an evening of entertainment and Fellowship with less fortunate children at the Don Bosco Home for the Orphans at Uswetikeiyawa, exposing them to caring for the less fortunate during their early upbringing years.

2016/17 also marked the 1st Decade of the MJF Kids programme which commenced at the Peliyagoda complex in 2006. To commemorate this milestone of the Foundation, nearly 300 MJF Kids of the MJF Kids Alumni who had graduated from the program over the last 10 years, reunited with the Settlor and Trustees of the Foundation and also with their peers and their

colleagues at the MJF Centre at Moratuwa on 8<sup>th</sup> October, to coincide with International Children’s Day. Evening refreshment & tea provided was by the 1st batch of the Culinary students from the plantations, guided and assisted by world-renowned Chefs from Australia and New Zealand, who were here to share their knowledge and skills with the Culinary trainees

There was much encouraging and noteworthy progress achieved by youth in their chosen fields, ranging from Banking, Teaching, Marketing, Technical, Community Service etc, besides a few of them joining the MJF Group in the production and engineering units and also in the HR Departments.

### 6.14.2 COMMUNITY HEALTH PROGRAMMES

- Eye care Mobile programme for elders

Locations : Pitipana and Moratuwa

MJFCF facilitated a mobile medical and Eye screening programme through the MJF Saddhasarana Elders home in Pitipana and elders in Moratuwa. 311 elders attended the programs and 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.

### 6.14.3 THE SMALL ENTREPRENEURSHIP PROGRAMME (SEP)

Locations: Hambantota, Siyambalanduwa, Moneragala, Batticaloa, Ampara, Point Pedro and Colombo



The SEP programme progressed to its 9th year since its commencement in 2006. This programme empowers small entrepreneurs to progress to the next level through



material grant and knowledge enhancement. With a small beginning with 25 beneficiaries in Hambantota consequent to the devastation of the Tsunami, the Foundation embarked on its learning to provide livelihood SEP support to deserving families in the poorest district, namely Moneragala.

Apart from supporting rural communities the programme has supported a special initiatives for Prisoners on parole for them to get back into their normal lifestyles through the SEP grant programme. With the cessation of the conflict in 2009 the MJFCF SEP programme expanded to the East and the North, specifically addressing the needs of the War widows. The programme has also extended support to rehabilitated former militant cadres and also members of the Colombo Friend in Need Society, who are all physically disabled due to injuries or by birth.

324 new Small Entrepreneurship livelihood (SEP) grants were provided during 2016/17 including 88 in the North, mostly comprising of war affected, women headed families and also 25 Prisoners on parole, enhancing the total SEP beneficiaries to 1714 families. A further 92 SEP grants approved for beneficiaries on the East and 1 in the Western province will be also distributed before the end of the current financial year, taking the total to 1807.

BENEFICIARY GROUP	NUMBER OF BENEFICIARIES
War Widows	588
Prison SEPs	249
Rehabilitation former militants/disabled persons	35
Member of the Colombo Friend in Need Society - AIDEX	38
Others	897
<b>Total</b>	<b>1807</b>



A sum of Rs. 83.14Mn has been invested on the SEP programme by the Foundation, to date, with an average grant of approx. Rs. 48K per beneficiary. An impact evaluation of the SEP programme will be undertaken in 2017/18 to assess the progress made by the recipient beneficiaries and their contribution towards the local and national economy.

The community based (Gemi Aruna Krushi Nishpathana Samithiya) Orange and Pineapple cultivation project in Pahalalanda in Ampara, which commenced in early 2011 with one of the SEP beneficiaries from the Prisons programme, was further strengthened through the years and currently it operates as an independent Community Based Organization (CBO) with over 124 members and expanding its activities to Water supply scheme for the community as an income generating activity.

It was on the initiative of the Society, the MJFCF commenced a new MJF Dhiriya Centre at Pahalalanda in January 2016. This Centre provides opportunities for the Kids at Pahalalanda with school curricular and extra-curricular support similar to its Centres at Peliyagoda and Moratuwa, on a smaller scale. Vocational training and IT will be added to the programme in 2017/18.

#### 6.14.4 DONATION OF SCHOOL UNIFORMS

The project was initiated in 2012 with the objective to minimize the number students, in rural communities, most of whom were staying away from school due to lack of uniforms.

In 2016, the Foundation committed to provide a further 5013 sets of school uniforms to 11 under developed schools in Vavunathivu, which was handed over on 3rd February 2017 at an event held at the Kurinchamunai Tamil Vidyalayam. The total number of 16,730 children has been facilitated to date.

Another significant feature of this initiative is that the uniforms are sewn by the MJFCF SEPs in the East who are engaged in sewing and tailoring.



#### 6.14.5 THE PLANTATIONS PROGRAMME

Locations : Talawakelle, Nawalapitiya and Kahawatte

Having completed most of the infrastructure needs on the plantations, the project activities in the plantations from 2014 onwards, mainly focused on nutritional improvements of children at the CDCs through the mid-day meals program, educational support for plantation children through the Educational scholarship program for plantation children, and supporting the health care services in the plantations of MJFCF with special attention to the MJF Tea Gardens on Dunkeld estate in Dickoya, located within Tea Trails.

#### CDC (CHILDREN DEVELOPMENT CENTRE)



The Planation sector program supports nearly 1800 children below 5 years of age with Early Childhood Development, coupled with 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 CDCs on Dunkeld estate.

Nearly 850 Kids who move to Grade 1 in the Government School from the CDCs every January, receives a school bag and accessories to commence their schooling. Every year nearly 1000 kids have benefited through this initiative since 2006, thus providing the Kids with a small token of appreciation for being in the Plantation CDCs from almost their 6 month, 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. In 2017, every kid who graduates to the Government school from the plantation CDC will receive a Savings Pass book with an initial savings of Rs. 250 each from the Foundation, in addition to the School Bag.

## PROJECT SUMMARY

	ESTATES	NO. OF CDC's	CHILDREN BENEFITTED
Mid-day meals	32	96	1 500 Daily
School bags for Grade 1 entrants	32	96	850 Annually

## EDUCATIONAL SUPPORT PROGRAMME



The educational scholarship programme for A/L and University studies for children of plantation workers which commenced in 2004, currently supports 384 scholarships. Of this 187 scholarships are for University education, which includes 3 in the Medical Faculty. Sathyaraj and Kanageswary – from Somerset and Dunsinane estates in Talawakelle, who graduated from the Medical Faculty of the Rajarata University, are now MBBS Doctors practicing at the Teaching and General Hospital in Badulla. Anuruddhika, who took her oaths in December 2012 after having obtained a second class upper at the final exam at the Faculty of Law, 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 Ceylon Electricity Board.

Current status of the MJFCF scholarship programme

	TOTAL SCHOLARSHIPS	UNIVERSITY SCHOLARSHIPS
KWPL	54	31
EPL	138	87
TTEL	117	65
Others	49	09
<b>Total</b>	<b>358</b>	<b>192</b>

This programme has been extended to the MJF kids in Peliyagoda, Moratuwa, Siyambalanduwa, Udawalawe and Point Pedro as well, which are reflected under others in the above table.

## 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 is 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 300 families resident on the estate with in house qualitative medical care and a visiting Government Family Health Worker (Midwife), who visits once a fortnight.



## HOUSING FACILITIES TO PLANTATION WORKERS



Consequent to a 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 worker families on the estate, with water and electricity as well. Although the provision of housing and common amenities to plantation worker families is a Government responsibility, the workers of the MJF Tea Gardens on Dunkeld Estate are fortunate to have had the support of the MJF Foundation to meet their new housing needs. Each family is also entitled to small home garden and also have been provided with the know-how of growing organic vegetables for their consumption, as well as obtaining an additional income through selling their produce.

### 6.14.6 SUPPORTING THE DIFFERENTLY ABLED

Locations: Colombo and Ambalantota



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 MJF "Sithijaya" Centre for the Differently able in Ambalantota. The centre 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, with a staff of 8, has been operated successfully, providing learning, life skills and vocational training opportunities for 45 special needs children in the area. 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.

### 6.14.7 SPORTS FOR PHYSICALLY AND VISUALLY HANDICAPPED



The Foundation continued to support the AIDEX Sports Festival in collaboration with the Colombo Friend in need Society, for the physically handicapped, for the 7th consecutive year providing opportunities to over 300 physically handicapped persons to compete and excel in cycling and selected track and field events.

The Dilmah Trophy Cricket tournament for the Visually Handicapped has been sponsored by the Foundation for the past 5 years. The tournament in 2016 was conducted in a professional manner with 13 participating teams and the former Sri Lankan World cup winning skipper Arjuna Ranatunge gracing the finals as its chief guest

### 6.14.8 MJF SADDHASARANA HOME FOR THE ELDERS

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

### 6.14.9 MJF CENTRE FOR DIGNIFIED



## EMPOWERMENT

Location: Moratuwa, Kalkudah



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.



## 6.14.10 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 the years. The total student enrollment as at 2016/17 is 110 and 27 committed and dedicated team of teachers, which includes 2 full time physiotherapists and 2 speech therapists.

The Centre provides services for individuals from as small as 1-3 years of age with early intervention program up to adults 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 of the Medical Faculty of the University of Colombo.

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



## PROJECT SUMMARY

	CHILDREN ENROLLED	NO. OF TEACHERS/ THERAPISTS	FREQUENCY OF SESSIONS
RB/CP Centre	121	30	Daily
Carpentry	20 MJF Kids	96	850 Annually
8 RB Kids	01	3 days/week	
Scouting	65	01	2 days/week
Guiding	32	01	2 days/week

## DOWN SYNDROME DAY

Over 100 volunteer school kids from private and international schools are invited to conduct interactive activities with special needs children. This is a wonderful opportunity to create awareness amongst school kids, about their disabled peers.



## THE CURTISS INSTITUTE FOR DESIGN

Since its inception in 2011, the unit has benefitted a total of 387 youth from low income families. The Curtiss Centre which initially commenced with classes in Computer Graphics Design, now also offers courses in MS Office as well for MJF kids and their older siblings benefitting nearly 60 students per week.

In 2016/17, the Graphics training unit was relocated to the new VT Centre building at Moratuwa. This will enable the Curtiss Institute for Design to accommodate an intake of 48 students at a time, and by conducting 2 simultaneous courses in the morning and afternoons, its targeted output will be 192 students per year.

The Curtiss Institute for Design of the MJF Foundation obtained charity status from Microsoft and was provided with all required licensed software for the Curtiss Centre.

#### 6.14.11 WOMEN'S DEVELOPMENT PROGRAMME (WDP)



The Women's Development Program targets community development through working with women. Since its inception in 2013, it aims for holistic development of women, and through women, also family and community.

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. The mothers of the MJF Kids formed a Society, namely, Suwashakthi Womens' 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.

In 2016/17 WDP started cookery classes and sewing for special needs young girls, women, young girls, elderly women who aren't attached to MJF Centre but who are living within the area of Moratuwa, and for kids and MJF mothers.

Women and young girls use the women's resource room as a resource center where they come and spend the free time leisurely by going through leaflets, books at the center plus by sewing.

The programme has developed itself to meet all catering needs at the Centre and at the MJF Groups head office for daily staff lunches, in house meetings and special events.



#### 6.14.12 LIFE THROUGH CRICKET

MJFCF and Cricket Live Foundation (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.

#### PROJECT SUMMARY

		LOCAL COACHES	COORDINATORS	EDUCATION MASTERS
Moratuwa (Including MJF Kids)	216 Boys, 48 Girls	13	2	3
Siyambalanduwa	96			
Total 360	360	13	2	3



During the period under review, the kids of the Life through Cricket program and the other MJF Kids and Special needs kids from the RB Centre, had the privilege of welcoming Sir Richard Hadlee at the Moratuwa Centre and engaging in a game of cricket with him. 2 Coach Education Program were also conducted.

The first group of 48 Kids from Moratuwa graduated in July 2016 and are currently engaged as mentors for the program, amidst the Cricket & Career development activities; The foundation conducted family fun days, Cricket Tournaments, Award Ceremonies twice a year to motivate, reward the kids & the parents. The events were conducted with the participation of leading current & former National Players



#### **6.14.13 VOCATIONAL TRAINING CENTRE**

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 was formally opened for operations in July 2016. This new facility includes the state of the art Empower – Culinary & Hospitality School, Expansion of the Curtis Centre for Design with a capacity of an intake of 18 to 50, spacious new class rooms for 120 MJF Kids and an architecturally designed unique auditorium facility blending with nature.

# GRI Content Index

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## NOTES



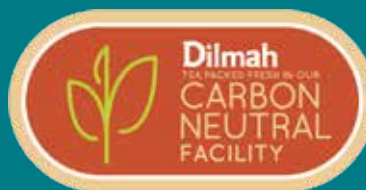






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