

CIC Holdings PLC

Sustainability Report 2017/18

Managing Director's Message

At CIC we operate our businesses responsibly, managing their impact on the economy, society and environment, and have always had sustainability as a core value.

Like previous years, this year's Sustainability Report is G4 compliant.

With a turnover of Rs.32,044.49 Mn and loss of Rs.377.89 Mn(PAT) the Group carried out its business operations with a deep sense of responsibility.

Sustainable Partnerships

Being a key player in the agriculture industry of this country we believe that the future of agriculture lies in the hands of our farmers and the future generations who will continue in the vocation of farming.

CIC has over the years developed an effective out-grower farmer network. We work with over 40,000 out-growers in our agriculture businesses and continue to increase their level of knowledge and that of the farming community. We impart our technical knowhow on sustainable farming to these farmers and then buy back their produce, at a competitive price.

This out-grower model is the ideal situation for both parties concerned as farmers get the financial security they need, because they are assured of a market for their crops, whilst CIC benefits because we get produce that meets our high standards of quality.

We also continued to train and provide technical assistance to approximately 2,500 poultry farmers. These poultry farmers are responsible for providing the nutrition and protein needs of our local population.

The Group's interest in herbal health care is carried out through Link Natural and our leading brands 'Samahan' and 'Sudantha' continue to do well. Link Natural through its out-grower network works with 188 farmers who are engaged in cultivating 136 acres of herbal plants in two seasons.

Employees

CIC considers employees its most important asset and invests heavily in their knowledge enhancement and career development. The Company strives to provide a safe and decent working environment for our employees.

Our Community Investment Initiatives

'CIC Manussakama' our multi-dimensional community investment initiative is directed towards uplifting the level of expertise and education of the farming community and re-establishing the status of farming as a respectable and noble profession.

During the year CIC Seeds continued the provision of pipe-borne water facilities to schools in the Bibile, Mahiyanganaya, Monaragala, Galenbindunuwewa and Ampara areas. More than 4,000 students have benefited from this project that was conducted under the CIC Manussakama banner.

At Link Natural, community investment initiatives focused on the three areas of Education, Healthcare, and Rural Economic Development.

The Dulux Child Protection Trust Fund which was launched in 2001 by Akzo Nobel Paints Lanka (Pvt) Limited provides financial assistance to needy children and to institutions engaged in caring for abused children, while creating public awareness on the rights of children with the aim of eradicating child abuse in Sri Lanka.

New ventures

The Joint venture CIC embarked on last year to produce high-value vegetables for the export market by using complex state-of-the-art greenhouses is progressing well. Located at Walpita in the Gampaha District, the initial product range includes bell peppers, cherry tomatoes, and iceberg lettuce.

A new state-of-the art warehouse built at Ekala for the Healthcare business was commissioned during the year.

Challenges we face

In addition to the adverse weather patterns, the introduction of new regulations and the tightening of existing regulation in the fertilizer, crop protection chemicals, pharmaceuticals, and plastic industries, continue to pose many challenges to the business.

Way Forward

With the decision of the Board of Directors and Management to embark on the “Re-Strategizing 2020”, the Group experienced a challenging period during the financial year 2017/18, which is seen in Financial Statements for the period under review. The aim of this strategizing exercise is to make the Group future ready and in a position to generate significant improvements in value in terms of capital appreciation and periodic returns from the FY 2018/19.

As per the recommendations of “Re-Strategizing 2020” the Board of Directors of Chemanex PLC decided to discontinue the operations of CAL Exports (Private) Limited, Chemanex Exports (Private) Limited, and the Paint Outlet operations.

CIC Holdings also exited from its stationery business and has rationalized many of its other existing businesses.

As a result of the “Re-Strategizing 2020”, we have had to let go of some of our staff attached to the discontinued or rationalized businesses.

The Board of Directors and Management firmly believe that the “Re-Strategizing 2020” exercise will strengthen our value generation mechanism on a more sustainable platform.

S.P.S. Ranatunga
Managing Director/CEO

Organizational Profile

CIC Holdings PLC, is a public quoted Company with limited liability incorporated in Sri Lanka in 1964 and re-registered under the Companies Act No.7 of 2007 on 21st November 2007. The headquarters of the Company, ‘CIC House’, is located at 199 Kew Road, Colombo 2.

Presented below are the products and services offered, markets catered to, and customers served by key entities of the Company.

CIC Holdings
Solito and Virtako are brands marketed by the Crop Solutions business, while pharmaceutical brands marketed by the Healthcare Division include Sita, Betaserc, Orslim and Duphaston, and nutraceuticals include Ensure Glucerna and Pediasure. CIC Holdings is also the local agent for the surgical appliances of DepuySynthes, Oppo, and Smith and Nephew - Advanced Wound care, endoscopy and sports medicine reconstruction products. Industrial inputs offered include natural sweetener Stevia, and Ecolab water treatment products. The Company markets all products island-wide in Sri Lanka.

Link Natural
<p>Link Natural Products manufactures and markets over 250 products under four different product categories, namely Ayurveda Pharmaceuticals, Herbal Healthcare products, Herbal Personal Care products and Essential Oils. Key brands of the company are Samahan, Sudantha, Kesha, Enriched Paspanguwa, Five Herbs, Gotukola Tea, Hair Care Cool and Swastha Thripala.</p> <p>The company's products are widely exported including to the USA, Japan, UAE, Europe, Russia and India. The Company's core competency is integrating modern science and technology with the wisdom of Ayurveda.</p>
CIC Agri Businesses Group
<p>The main products dealt with by the CIC Agri Businesses Group are fertilizer, seeds, rice maize , and fruits and vegetables, while its main brands are CIC Pohora, CIC Seeds, Golden Crop and Fresheez,. Advisory services are also offered by the Company.</p> <p>CIC Agri Businesses markets its products mainly in Sri Lanka, but also exports to countries including the USA, Canada, Australia, Singapore, the Middle East, and the Maldives. The main patrons of the Company's products are farmers, plantations, and retail consumers.</p>
CIC Feeds Group
<p>The CIC Feeds Group deals in animal feed, day old chicks, chicken, veterinary medicine, vaccines, and so on. The Group are agents for international brands in the veterinary health sector, and its own brands include CIC Feeds, CIC Day Old Chicks, and CIC Chicken. Advisory services are also offered in the area of animal health.</p> <p>All operations of the company are within Sri Lanka, and cater to small and medium scale livestock farmers, retail outlets, supermarkets, hotels, veterinarians, and pet owners.</p>
CISCO
<p>CISCO manufactures PET bottles, preforms, and bottle caps, and operates solely within Sri Lanka. It operates in the B2B category and hence all customers are locally based industries.</p>

The Joint venture CIC embarked on last year to produce high-value vegetables for the export market by using complex state-of-the-art greenhouses was commissioned this year. Located at Walpita in the Gampaha District, the initial product range includes bell peppers, cherry tomatoes, and iceberg lettuce.

A new state-of-the-art warehouse was built at Ekala for the Healthcare business and it became functional in September 2017. Additionally, Link Natural expanded its operations at the Dompe premises with the commissioning of a new cosmetics plant within the year.

As part of the "Re-Strategizing 2020" restructuring exercise, the operations of CAL Exports (Pvt) Ltd., Chemanex Exports (Pvt) Ltd., and the paint outlet operation coming under Chemanex PLC were discontinued during the course of the year. CIC Holdings PLC also discontinued its stationery (consumer) business.

Beyond this, there have been no other changes reported within the Group in terms of share capital structure, and no significant changes in the nature and structure of the Group's supply chain.

Scale of the Company

The CIC Group consists of 31 number of operations, including 08 within the CIC Agri Businesses Group, and 04 within the CIC Feeds Group. Net sales/ net revenues for the year were Rs. 32.04 Bn. The number of employees across the Group stood at 2254 at the year's end.

An indication of the scale of the organization is presented below, by way of employment numbers at the main companies of the Group

Total Employees by Employment Type and Contract					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Full-time employees	456	597	670	218	34
Part-time employees	0	0	0	0	0
Outsourced employees	205	139	0	437	175
Total	661	736	670	655	209
Permanent employees					
Permanent employees	427	571	551	209	34
Fixed term/ contract employees					
Fixed term/ contract employees	29	26	119	9	0
Outsourced employees	205	139	0	437	175
Total	661	736	670	655	209

Total Employees by Region					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Central Province	63	55	217	-	-
Eastern Province	18	4	0	-	-
North Central Province	26	23	94	-	-
Northern Province	26	9	4	-	-
North Western Province	17	36	58	-	-
Sabaragamuwa Province	21	50	12	-	-
Southern Province	34	36	17	-	-
Uva Province	18	26	34	-	-
Western Province	438	497	234	655	-
Total	661	736	670	655	209

The majority of work is carried out by legally recognized full-time employees or supervised contract workers.

Our Supply Chain

The continuity of the businesses within the Group depends on smooth running of our supply chain.

Potential suppliers, both local and foreign, are assessed for the quality and safety of their products, cost, reliability of delivery, reputation, credit terms, minimum order quantities, and lead times, and supplier agreements are entered into with all selected suppliers. In order to ensure business continuity, multiple suppliers are identified for a given product or service. Periodic assessments are carried out to evaluate supplier performance, and if performance is not satisfactory and cannot be improved by further negotiations, the supplier agreement is discontinued and another suitable supplier is chosen.

Our supply chain consists of manufacturers of raw material, finished goods, and packing material, while labour suppliers provide outsourced workers for certain manufacturing operations, as well as for some product promotion activities. Our supply chain also includes transport suppliers who provide logistics facilities to wholesaler and distributor warehouses, and to retail supermarkets and shops.

CIC and the Precautionary Principle

CIC as a Group follows the precautionary principle very strictly, particularly given the industries we operate in, namely the food, poultry, and healthcare industries. The “precautionary principle” involves taking protective action before there is complete scientific proof of a risk. In other words, risk mitigating action should not be delayed simply because full scientific information is lacking.

This principle is put into practice by our companies in a number of ways. For example our poultry business will cull an entire flock if there is any indication of disease to our poultry livestock. Similarly, the slightest doubt of contamination to our food products will result in all batches being recalled and destroyed. No drug or device can be imported into Sri Lanka unless approval is obtained by the National Medicines Regulatory Authority (NMRA). Regardless, in the event a contamination or product defect is suspected or identified in a batch, all stocks are recalled and destroyed. Likewise in the Crop Protection chemicals industry, every imported consignment is tested, and if any samples fail to pass the quality assurance test, the entire consignment is shipped back to the supplier. Additionally, all crop protection chemicals are recalled 3 months prior to their expiration date.

Involvement in external initiatives and organizations

The CIC Group respects the United Nations Universal Declaration on Human Rights, and supports the principles of the UN Global Compact. The Group also upholds values and principles according to other established international charters.

The Group’s companies are active in various relevant industry associations operating in Sri Lanka. Associations in which the Company or a member of staff holds a position on the Board include CropLife Sri Lanka, the National Agri Business Council, the Exporters’ Association of Sri Lanka, as well as the position of Past President of the Ceylon Chamber of Commerce.

Companies within our Group are members of the Ceylon Chamber of Commerce, National Chamber of Commerce, and National Chamber of Industries, while industry specific associations in which our Companies are members include the Sri Lanka Chamber of the Pharmaceutical Industry and Sri Lanka Chamber of Medical Devices (Healthcare business), CropLife Asia, National Toxicological Association, National Agribusiness Council, National Research Council and Department of Agriculture, and National Fertilizer Secretariat (Crop Solutions business), Sri Lanka Poultry Forum, Sri Lanka Poultry Producers Association, and World Poultry Science – Sri Lanka (CIC Feeds). Link Natural is also a member of International Federation of Essential Oils and Aroma Traders, Spice Council of Sri Lanka, Industrial Technology Institute, Sri Lanka Association of Testing Laboratories, Royal Society of Chemistry, British Herbal Medicine Association, and National Science Foundation of Sri Lanka, as well as the Export Development Board, the National Chamber of Exporters of Sri Lanka, the International Chamber of Commerce of Sri Lanka, Department of Commerce, Employers’ Federation of Ceylon, Sri Lanka Australia – New Zealand Business Community, and the Sri Lanka Benelux Business Council.

Identified Material Aspects and Boundaries

Page 53 of the CIC Holdings PLC Annual Report lists all entities included in the Company’s consolidated financial statements. Of these entities, our subsidiaries CIC Cropguard (Pvt) Ltd, Crop Management Services (Pvt) Ltd, Colombo Industrial Agencies Limited, CIC Lifesciences Limited, CIC Properties (Pvt) Ltd, Cropwiz (Pvt) Ltd, CIC Precision Agricultural Technologies (Pvt) Ltd, as well as our associate company Akzo Nobel Paints Lanka (Pvt) Ltd continue to be excluded from our sustainability reporting process. This year, Chemanex PLC is also excluded from the sustainability reporting process, as is explained under the report profile section of this report.

In order to determine materiality, we analyzed the full list of aspects set out in the GRI G4 Guidelines against the activities of CIC Holdings and its key subsidiaries, taking into consideration areas where the Group’s operations could cause significant actual or potential impacts. This process was followed to determine material aspects for each key entity of the Group, and aspect boundaries were also determined as shown below. The material aspects and aspect boundaries have been constant for the past 4 consecutive reporting years.

When undertaking this materiality assessment, we also considered the extent to which stakeholders are affected by each operation’s impacts, as well as the aspects that would be most relevant to report on from the point of view of our key stakeholder groups. The material aspects selected were also shaped by the fact that we are involved in the marketing of fertilizer and crop protection chemicals and the manufacturing of PET bottles, and as a result we are aware of the impacts these have on the environment, and health and safety of the citizens of Sri Lanka.

The identified material aspects and corresponding aspect boundaries are as follows:

Categories	Aspects	CIC Holdings	CIC Agri	CIC Feeds	Link Natural	Cisco
		Materiality and Aspect Boundary				
Economic						
	Economic performance	√	√	√	√	√
	Market presence	√	√	√	√	√
	Indirect economic impacts	√	√	√	√	√
	Procurement practices	√	√	√	√	√
Environmental						
	Materials			√	√	√
	Energy	√	√	√	√	√
	Water	√	√	√	√	√
	Biodiversity	√	√		√	
	Emissions					
	Effluents and waste	√	√	√	√	√
	Products and services	√	√	√	√	√
	Transport	√	√	√	√	√
	Supplier environmental assessment	√	√			

Labour Practices and Decent Work						
Employment	√	√	√	√	√	√
Occupational health and safety	√	√	√	√	√	√
Training and education	√	√	√	√	√	√
Diversity and equal opportunity	√	√	√	√	√	√
Labour practices grievance mechanisms	√	√	√	√	√	√

Human Rights						
Non discrimination	√	√	√	√	√	√
Freedom of association and collective bargaining	√	√	√	√	√	√
Child labour		√		√		
Supplier human rights assessment		√		√		

Society						
Local communities	√	√	√	√	√	√
Compliance	√	√	√	√	√	√

Product Responsibility						
Customer health and safety	√	√	√	√	√	√
Product and service labeling	√	√	√	√	√	√
Marketing communications		√	√	√		
Compliance	√	√	√	√	√	√

As with previous reports, there are limitations regarding aspect boundaries, as some entities of the Group are yet to be included in the reporting process. Additionally, materiality has only been determined thus far for within the Company and not outside of the Company. However for all identified aspects, the aspect is material for the entire geographical boundary of each entity to which it is relevant.

Stakeholder Engagement

Customers, employees, shareholders, suppliers, local communities, and the Government, are considered to be our most important stakeholders, and we maintain open and meaningful relationships with these groups through continual engagement as described below:

Stakeholder group and its importance to CIC	Methods of engagement	Areas discussed through engagement
Customers – the main focus and beneficiary of our business	<ul style="list-style-type: none"> Regular Customer visits Technical training sessions and advice Educational programs Partner development programs – e.g. educating farmers on financial literacy Customer felicitation programmes 	<ul style="list-style-type: none"> Improvements to product quality, new product developments, and widening of product applications Better mutually beneficial prices and credit terms have been negotiated Efficient use and safe disposal of products (especially agriculture inputs, industrial inputs and pharmaceutical products)

<p>Employees – our most valuable asset and the drivers of company strategy</p>	<ul style="list-style-type: none"> • Performance reviews for all employees • Employee Opinion Surveys • Formal and informal team building sessions • Monthly meetings, reviews, etc. • An open door policy is maintained so that staff can share their concerns with the relevant parties at any time <ul style="list-style-type: none"> • An intranet is to be launched soon 	<ul style="list-style-type: none"> • Development of skills and career development, including succession planning • Engagement with employees has helped avoid industrial disputes
<p>Shareholders – the owners of our company and providers of equity</p>	<ul style="list-style-type: none"> • Annual General Meetings • Extraordinary General Meetings 	<ul style="list-style-type: none"> • Company progress and future direction • The opportunity to raise concerns and obtain clarifications on any issues they have
<p>Suppliers – integral to helping us keep our customers happy with reliable products available at the right time and meeting the expected quality standards.</p>	<ul style="list-style-type: none"> • Supplier visits both local and foreign to their offices and factories • Inviting suppliers to visit our premises in return 	<ul style="list-style-type: none"> • Suppliers are informed of changes in regulations imposed by regulators and their support is sought in order to conform to the requirements <ul style="list-style-type: none"> • Changing market requirements and changes in end consumer needs • Constant dialogue, particularly with agro chemicals, industrial chemicals, and pharmaceuticals suppliers, to ensure product quality and safety, including the banning and phasing out of products or ingredients • Out-grower farmers are provided with training and knowledge sharing opportunities • Better terms and conditions are negotiated
<p>Government/ Regulators – implementers of policy and regulation that can impact on our strategy formulation and business operations.</p>	<ul style="list-style-type: none"> • Advising the Government on policy setting in our industries of operation • Meetings with Government officials as the need arises - on community investment activities, utilization of state land, taxes, subsidies, and national issues such as excess use of fertilizer, pharmaceutical pricing, national plastic waste issue, etc.) • Sharing world trends and knowledge with regulators 	<ul style="list-style-type: none"> • On-going discussions on fertilizer pricing and subsidy schemes • On-going discussions on the increased regulation and tightening of the registration process for crop protection chemicals • Discussion on price controls as and when required <ul style="list-style-type: none"> • Lobbying for a more practical approach to address the plastic waste issue
<p>Local communities – the wider population whose lives we impact both positively and negatively through operations</p>	<ul style="list-style-type: none"> • Regular dialogue is undertaken with these parties • Regular educational focus on agriculture to provide exposure to farmers • Internship programs for students in our factories and farms • Community investment activities • Providing employment opportunities – through direct employment as well as through our out-grower programs 	<ul style="list-style-type: none"> • CIC recruits staff as far as possible from the environs of the company operations to ensure adequate infusion of local knowledge and culture • CIC engages in numerous community development activities
<p>Environmental groups – help us to ensure that we uphold our commitments to protecting the natural environment</p>	<ul style="list-style-type: none"> • Discussions 	<ul style="list-style-type: none"> • Any concerns raised by these groups are evaluated and are attended to immediately

Report Profile

The reporting period for this report, prepared based on the GRI G4 Guidelines in accordance with Core reporting requirements, is the financial year 1st April 2017 till 31st March 2018. The previous report published in July 2017, covers the period 1st April 2016 – 31st March 2017. We have not obtained external assurance for our reporting process to date, but hope to do so for future reports.

This year, there has been a significant change in the Scope of the report, due to the “Re-Strategizing 2020” exercise. As a result of the restructuring that has taken place, CIC Holdings has moved out of the Consumer and Johnson & Johnson businesses. Additionally, due to the restructuring exercise, the scope and operations of Chemanex PLC have significantly reduced. Therefore, Chemanex is no longer a major part of CIC’s overall operations, and hence this operation has also been removed from the Scope of the report. Beyond this, there are no other significant changes in the Scope or Aspect Boundaries of this report in comparison to previous reports, and there are no re-statements of previously disclosed information.

Any questions regarding this report or its contents could be directed to:

Mrs Prasadi Samarakoon
General Manager-Finance
CIC Holdings PLC
199, Kew Road, Colombo 2
Tel: 2359359

Governance

The Enterprise Governance chapter on pages 20 to 23 of the Annual Report describes our governance systems and processes in full, including the governance structure and composition of the Board as well as Board committees responsible for specific functions. While there is currently no dedicated committee established for decision making on economic, environmental, or social impacts, the Board of Directors as a whole takes a keen interest in this area and overlooks these aspects at an overall level.

The Enterprise Governance chapter also includes details with regards to relationships with shareholders and other stakeholders and mechanisms for stakeholders to provide recommendations to the Board, as well as other pertinent information which enables the reader to assess the foundations upon which the Company operates.

Ethics and Integrity

Pages 04 & 05 of the Annual Report describes the Vision, Mission, and Values of CIC Holdings. Though these values are cascaded across the Group, each group subsidiary also provides further guidance to their employees through their own internal codes of conduct.

Specific Standard Disclosures

Category – Economic

Economic Performance

CIC believes that value generated, should be shared. The company strives to share this value with the widest possible group of stakeholders, and we believe that to do so, we have to generate economic value in the most sustainable manner possible. To achieve this, we aim to be constantly aware of how our operations impact on the local economy.

The economic value generated by the CIC Group during the year under review is detailed as follows:

Value Added Statement (Rs '000)	2017/18	2016/17
Revenues	32,044,493	32,210,546
Adjustment for -		
Other Income	877,256	327,894
Share of profit of equity accounted investees	267,053	334,728
Less: Cost of materials and services purchased	(27,431,162)	(26,482,945)
Total Value Added	5,757,640	6,390,223
Distributed as follows:		
To employees as remuneration	2,363,041	2,070,623
To the Government as taxes	1,420,791	1,041,625
To providers of capital		
as interest on loans	1,698,302	1,553,499
as minority interest	35,182	333,419
To shareholders as dividends	189,540	379,080
Donations and community investments	2,007	2,321
Retained within the business		
as depreciation and impairment losses	651,392	835,238
as reserves	(602,615)	174,418

Employees' Benefit Plan

Companies within the CIC Group contribute 12% of gross salary towards the Mercantile Service Provident Society (MSPS) Fund, or towards the Employees' Provident Fund (EPF), while all companies also contribute 3% of gross salary towards the Employees' Trust Fund (ETF).

The defined benefit obligation that is reflected in the Balance Sheet is calculated annually by a qualified actuary according to SLAS 16 stipulations.

While the provision for retirement benefit obligations is computed from the first year of service for all employees, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Company

Expenses (Rs '000)	2017/18	2016/17
EPF/MSPS (12%)	39.26	38.73
ETF (3%)	9.81	9.65
Gratuity	36.15	37.50

Retirement Benefit Obligations	2017/18	2016/17
Opening Balance	165.89	206.18
Acquisitions from Subsidiary	-	-
Provision for the Year	48.74	(11.61)
Benefits paid by the Plan	(34.67)	(28.68)
Closing Balance	179.96	165.89

Group

Expenses (Rs '000)	2017/18	2016/17
EPF/MSPS (12%)	153.63	142.00
ETF (3%)	38.68	35.89
Gratuity	173.88	110.18

Retirement Benefit Obligations	2017/18	2016/17
Opening Balance	590.28	603.82
Acquisitions from Subsidiary	6.19	-
Provision for the Year	214.72	39.66
Benefits paid by the Plan	(140.75)	(53.20)
Transferred to held for sale	(9.17)	-
Closing Balance	661.27	590.28

Significant financial assistance received from the Government

This year, the Export Development Board (EDB) provided assistance to Link Natural to participate in the International Federation of Essential Oils and Aroma Trades Conference held in Athens in 2017. The registration fee of EUR 2077 for one participant was granted by the EDB. Beyond this, no other entity covered by the boundary of this report has received financial assistance from the Government.

Market Presence

Comparative Entry Level Wage Structures

CIC Group is committed to paying our employees a fair and reasonable wage above the industry minimum, with no wage disparities made based on gender, and as such, the ratio of basic salary and remuneration of women and men at all locations of operation is strictly maintained at 1:1.

While the company also takes every effort to ensure that employees are paid over and above what is defined by law, the extent to which this is done varies by industry within the Group.

Some companies within the Group employ a combination of permanent full time and fixed term contract employees. At Link Natural, both categories of employees are offered all the same benefits, though contract employees are not covered by the Company's medical insurance scheme. While some support services within the Company such as security and janitorial are outsourced, the Company ensures that the suppliers of these services are thoroughly vetted and meet the required standards in terms of employee wages and statutory payments.

At CIC Feeds, there is no minimum wage rate defined for entry level staff as the industry does not fall under a wages board. However, the Feeds Group maintains fair and reasonable entry level wages for all staff categories over and above the industry average. At CISCO, entry level wages for unskilled labour is equal to the wage set by the Government, while for skilled labour, it is 25% higher than the stipulated wage.

Percentage by which entry level wage exceeds national minimum wages				
CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
80%	1%	15.2%	6 – 9%	25%

Male and female staff of each company earn equal amounts above the stipulated minimum wages.

Local Hiring

The CIC Group believes that local hiring is advantageous due to increased levels of productivity, while this also ensures giving back to the local communities in which the Group's companies are based in the form of employment and economic development. Local hiring is therefore encouraged across the Group and potential employees residing in the areas of operation of the Company are preferred for employment if they possess the required skills for the job in hand.

In particular when it comes to staff hired for field activities, CIC Holdings prefers to hire from the local area, while CISCO encourages local residents to join the Company by providing transportation from their homes to the factory.

Where outsourced workers are hired for certain functions within the Group, these employees also tend to be hired locally.

Indirect Economic Impacts

CIC believes that investing in infrastructure in its localities of operation provides long term benefits to society and for the community residing in those areas.

As such, this year Link Natural helped to upgrade the facilities in the Dompe Hospital, and renovated the ayurvedic pharmacy located at the Dompe Pradeshiya Sabha. Similarly, CIC Feeds Group contributed towards the construction of a Buddhu Madura in Ilukhena village, and a common well in the Ambagahena village.

Procurement Practices

The CIC Group continues to have a strict policy of sourcing the highest quality materials, ingredients, and other supplies necessary for its operations. The Group strives to give preference to local suppliers wherever possible, but in some instances due to the nature of operations, the Company is compelled to import items from reputed and reliable international suppliers. This is also necessary at times in order to maintain the high standards of quality required, when appropriate local supplies are not available.

Policy, practices, and proportion of spending on locally-based suppliers

A large proportion of CIC Holdings' operations are agency businesses where goods are imported and sold in the local market. Therefore for the Holding Company, a large proportion of spending is on foreign suppliers. This is also the case in our industrial chemicals business which is a manufacturing operation, as raw materials have to be imported, giving rise to a high proportion of spending on foreign suppliers at CIC Holdings overall.

At Link Natural on the other hand, a majority of purchasing is from local herbal cultivators, collectors, and out-grower farmers, and quality, supplier reliability, and on time delivery are considered important factors when choosing a local supplier.

Similarly, local procurement is given preference at CIC Agri Businesses based on product availability, quality, price, and the track record of the supplier. The proportion of spending locally by the Agri Businesses Group varies by product category, with a lower percentage of procurement being local in the case of fertilizer and seeds, and a majority of procurement being local in the case of rice and dairy products.

For the CIC Feeds Group too, priority is given to local raw material suppliers and service providers if the required standards can be met. The company sources the raw material requirements for chicken production including feeds, DOCs, and vaccines internally, while approximately 70% of raw materials used for animal feed production are locally sourced. Main factors taken into consideration when selecting a supplier for the CIC Feeds Group are reliability and credibility of the supplier, trustworthiness, cost including cost of transportation, quality, environmental and social performance, technical capabilities, and financial stability.

Local Procurement					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Proportion of spending on locally based suppliers (%)	37%	51%	63%	60 – 65%	20%

Category – Environmental

At CIC, the environment is the source for a number of key raw materials that many of our businesses depend on. Therefore, while the environment plays an essential role for our Group, we are also aware of how the environment is impacted through our operations, and we aim to minimize any negatives that occur to as great an extent as possible.

To this end, a number of companies within the Group have environmental management systems in place, certified to ISO14001:2004 standards. This includes the Emulsion Polymerization Plant and Repacking and Formulation Center (Panagoda) of CIC Holdings, CIC Agri Businesses, as well as Link Natural.

Material Usage

The CIC Group is mindful of the materials it uses in its production processes, as we recognize that at times, environmental impacts can occur from the materials stage.

In order to minimize wastage of materials, and to ensure the high quality standards expected of our products, all companies within the Group use materials as per predetermined formulas based on the nature of our products, while all materials used also undergo rigorous testing by quality control teams.

At CIC Agri Businesses, while hazardous materials are not used, the fertilizer marketed contains some ingredients that could be considered hazardous if not used according to the recommended guidelines. In order to combat this over-use by end consumers, the Company conducts extensive awareness sessions for the users of its products, in order to educate them on the safe and correct use of fertilizer and other inputs.

CISCO uses high tech machinery to ensure that wastage of its input materials – PET resin, HDPE and PP resin – are at the lowest possible levels.

Use of recycled input materials

Wherever possible, companies within the CIC Group use recycled input materials in their production processes, in order to reduce their dependence on and use of virgin materials, and thereby, reduce their environmental impacts. This can be seen at CIC Feeds where 25% of chicken processing waste is recycled and reused as a raw material in feed manufacturing, and at CISCO where about 10% of the input materials used in production are recycled materials.

Energy Consumption

Companies within the CIC Group are committed to reducing their energy consumption wherever possible, through more efficient uses of energy, while also using renewable sources of energy where feasible.

Group companies have installed LED bulbs for lighting and continue to switch out less energy efficient bulbs when they burn out, while air conditioning temperature controls are also in place across the Group, in order to reduce the amount of energy used for cooling. The Group's companies follow regular maintenance programs for their machinery in order to ensure energy efficiency in their production processes, while employees are made aware of the importance of conserving energy and other resources, on a regular basis.

Furnace oil and electricity are used for the production process at the Panagoda Emulsion Polymerization Plant, while petrol is used for the engine driven fire water pump, and diesel is used to power the forklift and the standby generator. Overall, due to the energy efficient design features of the Panagoda Plant as well as due to the use of the higher capacity production unit, energy utilization rates are much more efficient compared to the previous Ratmalana Plant. At CIC Holdings, diesel consumption has increased this year in comparison to last year. However, as the Ekala Stores became operational and more generators were run as a result.

At Link Natural, the main sources of energy are electricity and steam generated by the steam boiler, while diesel is used for the generator, and petrol is used for internal transportation. LP Gas is also used in very small volumes in the production process. During the year, Link Natural installed a new 100kW solar power system under the “Net+” scheme and this is now connected to the national grid. All energy consumption figures of Link Natural have increased this year in comparison to last year however, as the Company expanded its operations by setting up a new cosmetics plant at the Dompe premises.

CIC Agri Businesses uses renewable sources of energy in addition to electricity, petrol, diesel, and furnace oil. The Company uses paddy husks, a waste material of its production process, as a source of fuel to run the boilers at its Dairy facility. This year, all energy consumption figures of CIC Agri Businesses decreased in comparison to the last year, due to the scaling back of operations as part of the “Re-Strategizing 2020” exercise. In contrast, CIC Feeds saw an increase in diesel consumption this year compared to last year, due to an increase in operations and a consequent increase in the usage of its generators.

CISCO is a heavy energy consumer, due to the fact that it is a 24 hour operation. The company continues to replace older machinery and equipment with more energy efficient equipment wherever possible, in order to combat this. During the last reporting year, the Company reported consumption of 950 liters of petrol, which was due to the use of a petrol run trishaw in its operations. As a result of discontinuing the usage of this trishaw, CISCO no longer uses petrol in its operations.

None of the companies within the CIC Group face any industry specific regulations or policies with regards to energy usage.

Energy Consumed					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Petrol use (liters)	231.7	5,100	40,225	5,230	0
Diesel use (liters)	16,350	10,909	202,954	447,888	14,400
Furnace oil used (liters)	79,200	0	32,300	456,442	0
Electricity consumption (kWh)	1,356,174	1,198,296	6,654,281	9,086,680	8,056,695
Energy consumption (Gj)	8829.7	4913.6	34,559.7*	69,286.6	29,561.5

*In addition, CIC Agri Businesses used 250 metric tonnes of LP Gas during the year.

Water Consumption and Discharge

Being a dominant player in the agriculture industry, the CIC Group is well aware of the importance of efficient water consumption, and is aware of the need to optimize its usage of this precious resource. Particularly in the agriculture sector, water consumption is taken very seriously, and an indicator used when measuring the viability of any crop in our farms is ‘output per liter of water’.

The majority of companies within the CIC Group use municipal water supplies. This includes the Ekala Stores, and Panagoda Emulsion Polymerization Plant and Repacking and Formulation Center of CIC Holdings, as well as CISCO. Both Link Natural and CIC Feeds use a combination of well water and pipe borne water, while the Head Office building of CIC Holdings in addition to the municipal water supply also uses water sourced through a tube well.

At CIC Agri Businesses, water is primarily used in the farms for cultivation, and ground water is the main source. Fluctuations in water usage depend mainly on rainfall during each Yala and Maha cycle.

At CIC’s Panagoda Emulsion Polymerization Plant, the majority of its water demand is as an ingredient for formulations in the Polymerization process, which is established at a particular level based on the formulations and cannot be reduced. However

the Company takes steps to reduce its balance consumption of water, utilized for plant washing and general use, wherever possible.

Both CIC Holdings and CIC Agri Businesses report reductions in water consumption this year in comparison to last year. For both companies, this is due to the scaling back of operations as part of the “Re-Strategizing 2020” exercise.

CIC Feeds too reports a reduction in water consumption this year. In the case of CIC Feeds, this is due to the performance of birds in the broiler farms being challenged by disease pressure, which resulted in the Company temporarily suspending inputs and completely resting two farms for a month. As a consequence, the processing plant was also closed for a period of a month and a half, resulting in reduced consumption of water.

Water withdrawn and reused					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Volume of water withdrawn for use (m3)	14,564	25,958	10,508,576	93,430	10,200
Percentage of water recycled or reused (%)	2.5%	59%	3%	7%	40%

Biodiversity

Maintaining the delicate balance of Sri Lanka’s biodiversity is of utmost importance to us, and as a policy, the CIC Group strives to ensure that the biodiversity in any habitat interacted with by our operations is not negatively affected. We take active steps to promote biodiversity, particularly across the eco-systems prevalent on our farms, where green zones are in place to ensure that biodiversity thrives.

In order to support a national biodiversity initiative, CIC Holdings funded a study on the Sloth Bear in Wilpattu, which will be concluded shortly. This study is conducted by Biodiversity Education and Research (BEAR) in partnership with Biodiversity Sri Lanka, and implemented under the supervision of the Department of Wildlife Conservation (DWC)

While most companies within the CIC Group do not own or have any interests in properties within or adjacent to areas of sensitivity in terms of biodiversity, the Hingurakgoda Farm of CIC Agri Businesses continues to be a haven for a resident spotted deer population.

Emissions

The CIC Group is mindful of how its companies’ operations result in harmful emissions, and is taking steps to reduce these emissions wherever possible, through more efficient uses of energy, particularly when it comes to non-renewable sources. The efforts of the Group companies in this regard are described in more detail under the Energy and Transport sections of this report. In addition, all relevant Group companies ensure that boilers are maintained at optimal conditions in order to minimize flue gas emissions.

At CIC’s Panagoda operations, an exhaust system with ozone injection and wet scrubbing is used to maintain the VOC levels on the production floor. Chemical vapor is sent through absorption beds in the exhaust system before being released into the environment. In addition as per the requirements of the Central Environmental Authority, all emissions are tested by environmental sampling independently done by ITI and NERD or the CEA.

At CIC Feeds, green belts are maintained around the boundary of the Group’s farms, minimizing dust released to the environment. In addition, dust trap systems and specially designed water curtains are also in place in order to absorb dust, thereby further minimizing the risk of air pollution.

Effluents and Waste

The CIC Group is conscious of the liquid and solid substances that are released into the environment from its operations in the form of waste, and all Group companies take steps to reduce these as far as possible, while also improving the quality of waste substances that are discharged.

Both the Panagoda Emulsion Polymerization Plant and the Ekala Stores discharge their effluents directly into the Municipal drainage system, so no waste water or sludge remains at their facilities. The Panagoda Plant however plans to use the reactor wash water as part of its process water, once its overall operations have been fine-tuned.

At the Panagoda Repacking and Formulation Center, since water is used for washing of equipment after each formulation round is complete, this wash water is exposed to toxic materials, and is therefore sent to Insee Ecocycle for safe disposal. The Center treats the remaining water onsite and reuses treated waste water for gardening and flushing purposes.

Similarly, Link Natural, the Processing Plant, Molahena Broiler Farm and Hatchery of CIC Feeds, and the Dambulla dairy factory of CIC Agri Businesses have waste water treatment plants onsite to ensure that any effluents released into the environment are treated to acceptable levels. These companies use treated waste water wherever possible for gardening, while at Link Natural, the sludge generated through the waste water treatment process is used by the Company as fertilizer, and at CIC Feeds, some treated waste water is used for specific cleaning purposes, while liquid waste generated from chicken processing is recycled and reused as a raw material in feed manufacturing. At CISCO, 40% of the total water consumption used for machines is totally reused through the chiller system, thereby reducing the amount of water that is discharged as effluent.

Total weight of waste by type and disposal method

Some companies within the CIC Group, due to the nature of their operations, generate hazardous waste. These are the Panagoda Emulsion Polymerization Plant, Panagoda Repacking and Formulation Center, Crop Solutions, and the Healthcare division in the form of expired products. All companies within the Group who generate hazardous waste dispose of this waste responsibly, and dispatch this to Insee Ecocycle for thermal destruction.

Crop Solutions, together with the Central Environmental Authority and the Agrochemicals Industry Association, has introduced an environmentally friendly empty agrochemical containers disposal procedure. The Company facilitates the collection of these empty containers from the field, which are then handed over for recycle and reusing as an input material by the manufacturers of small electrical items.

Hazardous waste reported by CIC this year is significantly lower than that reported last year. This is due to the fact that last year, the Company experienced an 'off batch' of a new product trial, which had to be disposed of. No such incident occurred this year, hence the much lower volume of hazardous waste produced.

No other business unit included in the scope of this report generates any hazardous waste, and all operations within the CIC Group dispose of their non-hazardous waste to general waste collectors and recyclers.

The volume of non-hazardous waste reported by CIC Holdings has increased this year in comparison to the previous year. This is due to the fact that better agricultural seasons were experienced this year, and production also increased as a result, giving rise to a higher volume waste packing materials and other non-hazardous waste products.

At CIC Feeds, 100% of poultry processing waste is further processed into value added by-products such as render meal and poultry fat, which is used in feed production, while litter from the breeder farm, poultry farm, and hatchery is sold as fertilizer to farmers who use it as an alternative organic fertilizer. Of the Company's non-organic waste, a large portion of paper waste is sent to the hatchery where it is reused for laying on chick boxes. CISCO too, recycles a portion of its plastic waste and reuses this in its production process.

Waste Generated by Type					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	CISCO
Hazardous waste (kg)	11,608	0	0	0	0
Non-hazardous waste (kg)	32,670	183,927	1,350,165	4,023,460	3,600

Total number and volume of significant spills

There have been no significant spills by any of the CIC Group companies within the boundary of this report, during the year under review.

Products and Services

While supplying its customers with the highest quality products, CIC as a Group, is aware that some of these products may still negatively impact the environment. In order to combat this to as great an extent as possible, CIC aims to source all raw materials and products from reputed suppliers, where products have been thoroughly tested and researched to ensure minimal damage is done to humans and the environment through their use. Products manufactured by the Company, for example at the Panagoda Emulsion Polymerization Plant, also face routine investigations to assess whether they contain any materials that could potentially cause harm to the environment.

Extent of impact mitigation of environmental impacts of products and services

Fertilizer and crop protection chemicals are produced and marketed by both CIC Holdings and CIC Agri Businesses. If not used properly, these could pose a potential risk to the environment, and in recent years, the use of such products particularly in the North Central province, have become a controversy affecting the entire agricultural inputs industry.

In an effort to combat this, CIC regularly educates the farming community on the proper application, use, and disposal of these products. However despite frequent training, overuse of these inputs by farmers remains a key challenge faced by the industry as a whole.

At Crop Solutions, a significant commitment has been made to reduce potential negative environmental impacts caused by the use of its products, by setting a goal of 30% of turnover to be earned from bio based products by 2020. Towards achieving this, Crop Solutions has already successfully developed and launched 'BASCA', a para-pheromone made using plant extracts, used to control the population of fruit and melon flies that affect crops.

As a company that provides PET bottles to the market, CISCO recognizes the significant negative environmental impacts associated with its products. In an effort to reduce these impacts, CISCO has been undertaking research into the introduction of biodegradable resin and master batches into its production process.

Transport

At CIC, transportation and circulation of its products contributes to a significant proportion of its environmental footprint. To combat this, companies within the Group pre-plan routes and aim to use more environmentally friendly and fuel efficient vehicles for their transportation requirements, thereby minimizing the negative environmental effects of transport and logistics.

Across the Group, goods to be transported are clubbed together into one delivery run, and maximum vehicle space is utilized, thereby reducing the need for multiple runs of delivery vehicles. Vehicles are also routinely checked for emissions, and are regularly maintained in order to ensure minimal impact in terms of vehicular air pollution. All possible attempts are made to minimize vehicle movements by combining a number of tasks to each route or vehicle, so that unnecessary movements within the same route will be avoided or minimized as far as possible.

Strict checks are also carried out on any outsourced transportation service providers, through monthly evaluations of lorry conditions and checking of emission test reports in order to ensure the lowest possible environmental impact from transport activities.

Supplier Environmental Assessment

The CIC Group, particularly being in the crop protection and industrial chemicals and inputs industries, recognizes the responsibility it has for ensuring that its products have minimal negative impacts on the environment and on consumer safety. To this end, companies across the Group ensure that all products and raw materials are sourced from reputed suppliers, where extensive research has been done on the safety, efficacy, and environmental impacts of their products.

In order to register a new crop protection chemical in Sri Lanka, CIC must submit a number of reports to the Registrar of Pesticides, including an independent environmental assessment and impact report issued by the United States Environmental Protection Agency. Link Natural keeps its suppliers informed of the environmental standards they should follow, and their compliance is assessed at regular supplier visits. While similar assessments are not done at CIC Agri Businesses or CIC Feeds, both companies ensure to only work with highly reputed suppliers where such standards are strictly maintained.

Category – Social

Labour Practices and Decent Work

Employment

Employees are the most valuable asset of the CIC Group, as it is the contribution of each employee that determines our success as a whole. Nationally established institutional and legal frameworks are abided by in all our employment, and companies within the Group strictly adhere to the labour laws of Sri Lanka including the Shop and Office Employees' Act, and Factories Ordinance. All statutorily required contributions are also made on behalf of our staff, and the Group's companies also strictly adhere to the Gratuity Act. The Group strives to ensure that a safe, healthy, and decent working environment is maintained for all staff, regardless of job category or any other factor.

With the exception of outsourced workers, CIC enters into clearly defined employment relationships with all staff. Outsourced workers are directly employed by our third party labour contractors, and though they are not direct employees of CIC, the Group maintains the highest levels of concern for their wellbeing and welfare. If any concerns are raised regarding the condition of their employment, CIC will take immediate steps to address these with the respective labour contractors.

All companies within the CIC Group follow well established hiring practices, including posting vacancies, head hunting, hiring through recruitment agencies, and hiring from technical institutes and universities. Wherever possible, the Group's companies hire from within the geographical locations of their operations, as has been previously described. The Group also gives priority to hiring from within its own ranks when a vacancy arises, in order to further the career development and advancement of its existing staff.

Indicators related to new employee hires and employee turnover is presented below. Due to the "Re-Strategizing 2020" process that took place this year, employee turnover figures have increased in comparison to previous years.

New Hires by Gender										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Number of New Hires	105	5	119	23	103	41	21	5	4	1
Rate of New Hires	23%	1%	19.9%	3.9%	15.4%	6.1%	9.6%	2.3%	11.8%	2.9%

New Hires by Age Group										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	63	13.8%	116	19.4%	97	14.5%	12	5.5%	5	14.7%
30 – 49 years	42	9.2%	25	4.2%	39	5.8%	14	6.4%	0	0
50 years and above	5	1%	1	0.2%	8	1.2%	0	0	0	0

New Hires by Region										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	22	4.9%	32	5.4%	40	6%	-	-	-	-
Eastern Province	5	1%	1	0.2%	1	0.1%	-	-	-	-
North Central Province	7	1.5%	15	2.5%	13	1.9%	-	-	-	-
Northern Province	5	1%	3	0.5%	0	0	-	-	-	-
North Western Province	3	0.7%	7	1.2%	5	0.8%	-	-	-	-
Sabaragamuwa Province	6	1.3%	7	1.2%	5	0.8%	-	-	-	-
Southern Province	10	2.2%	5	0.8%	7	1%	-	-	-	-
Uva Province	2	0.4%	7	1.2%	9	1.3%	-	-	-	-
Western Province	50	11%	65	10.8%	64	9.6%	26	11.9%	5	14.7%

Employee Turnover by Gender										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Turnover (No.)	123	21	110	31	102	26	15	3	12	0
Turnover Rate (%)	27%	4.6%	18.4%	5.2%	15.2%	3.9%	6.9%	1.4%	35.3%	0
Total Turnover Rate (%)	31.6%		23.6%		19.1%		8.3%		35.3%	

Employee Turnover by Age Group										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	49	10.8%	103	17.3%	72	10.8%	6	2.8%	12	35.3%
30 – 49 years	77	16.9%	36	6%	41	6.1%	10	4.6%	0	0
50 years and above	18	3.9%	2	0.3%	15	2.2%	2	0.9%	0	0

Employee Turnover by Region										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	16	3.5%	28	4.7%	39	5.8%	-	-	-	-
Eastern Province	5	1.1%	2	0.3%	5	0.8%	-	-	-	-
North Central Province	5	1.1%	5	0.8%	9	1.3%	-	-	-	-
Northern Province	4	0.9%	4	0.7%	0	0	-	-	-	-
North Western Province	4	0.9%	2	0.3%	2	0.3%	-	-	-	-
Sabaragamuwa Province	6	1.3%	6	1%	5	0.8%	-	-	-	-
Southern Province	10	2.2%	17	2.8%	3	0.4%	-	-	-	-
Uva Province	5	1.1%	3	0.5%	12	1.8%	-	-	-	-
Western Province	89	19.5%	74	12.5%	53	7.9%	18	8.3%	12	35.3%

Health and Safety

A key priority of the CIC Group, and a fundamental responsibility that the Group has to its employees, is ensuring health and safety in general, and occupational health and safety in particular, and the Group takes a number of steps towards fulfilling this responsibility.

Senior level staff members are appointed across the Group to be responsible for managing this aspect within each of their respective businesses. The Group conducts fire drills annually with the participation of all staff, while staff working in factories, repacking centers, and similar operations, are also exposed to annual first aid training. Where staff are exposed to potentially hazardous operations, specific training is conducted at the time of recruitment, on the health and safety aspects related to their jobs, and further training is conducted on a regular basis thereafter.

In general, health and safety is an aspect that is covered during the induction programs for new recruits across the Group, and depending on the nature of each individual job role, all necessary safety equipment is provided in order to protect employees from injuries or occupational diseases, and regular training is conducted on the proper use of these items.

Some companies within the Group have obtained OHSAS 18001 health and safety management systems certification to further ensure the health and safety of their operations. This includes the Repacking and Formulation Center of CIC Holdings, as well as CIC Agri Businesses.

To further ensure the health and wellbeing of its workforce, CIC has contracted a specific medical center where all staff are entitled to avail themselves of health checks on an annual basis.

As a result of the strict health and safety controls in place within the Group, no major accidents or injuries were reported by any of the companies included in the boundary of this report during the year under review.

Training and Education

The CIC Group recognizes that staff wellbeing and personal progress is directly linked to the training, education, and development opportunities that are available to staff, and that providing these opportunities are a fundamental responsibility of the Company. Though each company within the Group manages this aspect independently, all companies are committed to providing timely and relevant training for their respective staff, and strive to ensure that all employees irrespective of staff grade have an equal opportunity for receiving training, as well as personal and career development opportunities.

Entities within the Group conduct or facilitate a variety of training programs depending on the nature of each individual's job role, as well as individual needs which are identified through the annual performance review system, so that tailor made training programs can be arranged accordingly. Training programs conducted typically range from customer service aspects, technical aspects, health, safety, and environment aspects, accounting systems, sales and marketing related aspects, and training on standards and certifications, to soft skills and personal development programs including motivational, team building, and attitude improvement programs. All companies within the boundary of this report carried out training during the year under review, with the exception of CISCO.

At Link Natural, there was a high turnover rate of sales representatives due to market competition. As a solution, the Company made a decision to implement a Sales Training School, to develop competent sales representatives with the required skills, attitude, and passion. This accounts for the high training hours presented below for Link Natural, who this year trained over 100 sales representatives through a 10 day in-house program as part of this new initiative.

Average hours of training by gender								
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds	
	Male	Female	Male	Female	Male	Female	Male	Female
Total Hours of Training	900	467	20,545	6,732	982	58	222	24
Average Hours of Training	2.25	10.5	46.75	42.5	1.75	0.5	1.25	1
Average hours of training by employee category								
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds	
Executive Board Members	0		0		0		0	
Divisional Directors	12.75		0		2.75		N/A	
Group Heads/ General Managers	3.5		0		0		6.5	
Senior Managers/ Managers	7		25.5		5.75		3.25	
Junior Managers/ Senior Executives	4.75		12.75		0.5		3.75	
Executives/ Junior Executives	2.75		15.75		1.25		0	
Non-Executives	1.25		56.25		1.25		0	

Performance and career development reviews

Employee progress and development is a key concern of the CIC Group, and regular annual performance and career development reviews are conducted for all employees across the Group to this end. Through the reviews conducted, every individual is able to assess their performance against the previous year's appraisal, self-assess their strengths and weaknesses, while also being given the opportunity to discuss and explore further training requirements and any concerns they might have.

The Group awards all salary increments and bonuses based on the achievement of employees' objectives as stated in the appraisals, and through this process, the Company is also able to identify top performers and likely candidates for development to higher levels of management. As with previous years, 100% of male and female permanent staff of all companies included within the boundary of this report received formal performance reviews within the year.

Diversity and Equal Opportunity

CIC strongly believes that equal opportunities should be provided for all employees and prospective employees, regardless of gender, age, race, religion, sexual orientation, political belief or any other characteristic. The Company aims to cultivate a diverse workforce at all times, and therefore none of these factors are considered at the time of recruitment, and potential recruits are judged only on merit, experience, and suitability for the job role. CIC also does not discriminate any group of employees for any reason while on the job, and all employees within the Company enjoy success solely based on their individual performance and capabilities.

The current diversity of the CIC Group is presented below. Though the Company does not discriminate in any way, since the Company's main businesses are in sales and marketing with nearly 70% of employees representing field staff, the Company faces a challenge in recruiting more female employees to the Group, as females are less willing to work on the field. Though the Board of Directors of CIC Holdings does not currently include any female board members, females are present on the Boards of CISCO, as well as other subsidiaries not covered by the scope of this report.

Composition of Governance Bodies by Gender										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Board of Directors (%)	100%	0	100%	0	100%	0	100%	0	85%	15%
Senior Management Team (%)	89%	11%	66%	34%	99%	1%	88.5%	11.5%	100%	0

Breakdown of Employees by Gender										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Gender Diversity (%)	90.1%	9.9%	73.5%	26.5%	81.8%	18.2%	89.4%	10.6%	64%	36%

Breakdown of Employees by Age Group										
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		CISCO	
Under 30 years (%)	34.2%		46.7%		40.3%		16.6%		58%	
30 – 49 years (%)	59.6%		45.6%		52.7%		70.4%		42%	
50 years and above (%)	6.2%		7.7%		7%		13%		0	

Equal Remuneration for Women and Men

CIC strives to ensure an equal platform for all employees regardless of gender, though women's participation rates do vary by industry within the Group.

Equal remuneration is paid for work of equal value across the Group, and there is no disparity between the remuneration paid to women and men. The ratio of basic salary of women and men at all locations of operation and across all employee categories is 1:1.

Labour Practices Grievance Mechanisms

The CIC Group currently has no group wide formal channels in place whereby employees can voice their grievances with regards to labour practices. However, CIC Holdings has implemented a grievance policy where any employee can raise their grievances in accordance with the policy and while following procedure, will be able to raise these up to CEO/ MD level. At the Group's other subsidiary companies, many informal channels are in place, which serve to address this. The Group promotes an open door culture, and employees can access any other member of staff or Management, in order to voice any concerns they might have.

At CIC Holdings, there was one grievance raised during the year, which was rectified immediately following discussion with the Management. Beyond this there have been no other grievances related to labour practices filed at any of the companies within the CIC Group during the reporting period.

Human Rights

Non-discrimination

At CIC, our workforce is treated and respected equally, regardless of gender, age, race, religion, sexual orientation, political beliefs, or any other factor. A key characteristic of life at CIC continues to be equal opportunities in the workplace.

The right fit for the job remains the only basis on which all companies within the Group fill their vacancies, and equal access to training and development is provided to all staff. As has been previously described, the Group also believes in equal pay for work of equal value.

Therefore this year too, there have been no incidents of discrimination reported within the CIC Group.

The Group currently does not have formal channels in place for voicing such incidents if they do occur. However, such concerns can be escalated due to the prevalence of the Group's open door policy, while issues can also be raised through the weekly management meetings, departmental meetings, through the annual performance appraisal, as well as through other informal channels within the Group.

Freedom of Association and Collective Bargaining

CIC recognizes the right to freedom of association and collective bargaining of its employees. In the previous years, non-management employees of CIC Holdings were covered by a collective agreement, though employees recruited under the Management category were automatically excluded due to the unions themselves being created solely for non-management grades. However, due to strategic decisions taken during the year under review, non-management staff, with the exception of 6 employees, were absorbed to Management grade, and therefore the previous collective agreement ceased to be in place from May 2017 onwards.

Link Natural has two internal unions in place, namely the Link Natural Products Employees Association, and Link Natural Services and Production Employees Association. While neither of these are influenced by or affiliated with any external trade unions, both support collective and participatory decision making and action, employee engagement, and a healthy corporate culture.

Despite unions not being present within the other subsidiary companies of the Group, employees of these companies have the freedom to collectively voice their concerns or opinions to the Management through weekly, monthly, and quarterly meetings, through suggestion boxes, through committees, or through direct communication with the Management facilitated by the Group's open door policy.

Child Labour and Forced or Compulsory Labour

A strict policy regarding children in the workforce is maintained by CIC, and the Group ensures that child labour does not and will not occur within any of its operations. The labour laws of Sri Lanka are adhered to, and as such, the Group does not employ any person under the age of 18 years. Applicants' ages are verified prior to the commencement of formal interviews with potential recruits. This policy also applies to our outsourced contract employees, and relevant clauses are in place within the agreements entered into with our labour contractors. As a result of these strict controls, there have been no incidents of child labour reported within the Group to date.

The issue of forced or compulsory labour is of equal concern to CIC, and neither is tolerated within the Group. As a policy, the Group neither retains any original documents belonging to its employees, nor requires any form of guarantee or cash deposit. No employee is made to work against his or her will or is subject to corporal punishment or coercion of any kind. As a result, no incidents of forced or compulsory labour have been reported within the CIC Group to date.

Supplier Human Rights Assessment

While there is no child labour present within the CIC Group's own operations, The Company recognizes that this could still be a potential area of risk within its supply chain, particularly for CIC Agri Businesses and Link Natural who work closely with farming families through their out-grower networks.

The Company also recognizes that smallholder farming, typically is a family activity where all members of a family might participate. The Company therefore acknowledges that while family labour, where children assist their parents with farming activities after having completed their daily schooling and education requirements, may occur within its supply chain and is permitted, child labour, where children are forced to engage in work rather than pursuing their education, is strictly prohibited within the supply chain of the Group.

Society

Local communities

Local communities are a key stakeholder of the CIC Group, particularly for CIC Agri Businesses and Link Natural which operate out-grower networks. Through these networks, a large number of small scale farmers are benefited by association with the company, as their living standards are uplifted, as in turn is their economic and social development. Out-growers are typically family units, where both men and women are involved. Through constant engagement, CIC Agri Businesses and Link Natural ensure that they are always aware of any issues or challenges that these farmers might face.

These small holder farmers benefit from the out-grower programs of the Group through access to advisory services, access to essential materials, as well as access to a guaranteed buyer of their crops.

As a Group, CIC gives preference to investing in education related initiatives, when it comes to community investment projects. This is because we recognize the role education and knowledge building plays in raising the overall living standards of rural communities, and we look forward to our future farmers, out-growers, and employees emerging from these communities.

Link Natural continued its student development project "Ugathamana" during the reporting period, which works towards developing the educational standards in the Dompe area. Areas covered under this project include training for students, prefects, and teachers, including motivational training, and skills development programs.

During the year, CIC Seeds under CIC Agri Businesses continues the provision of pipe-borne water facilities to schools in the Bibile, Mahiyanganaya, Monaragala, Galenbindunuwewa and Ampara areas. The Company believes that access to clean water and sanitation is an essential component for a successful student life, due to the health and wellness implications of this. More than 4000 students have benefited from this project so far, which is conducted under the CIC Manussakama banner.

Formal impact assessments have not been conducted in relation to the community development activities conducted by the Group's companies thus far.

Product Responsibility

Customer Health and Safety

Given the industries it operates in, customer health and safety is of paramount importance to the CIC Group. All products manufactured and marketed by the Group undergo stringent health and safety testing, and additional steps are also taken to ensure customer health and safety throughout the use of the Company's products. The Group also ensures that all products imported and marketed in Sri Lanka meet the highest local and international standards for consumer health and safety.

For example, customers are frequently educated on the safe use of its products by Crop Solutions, while the Company is also taking strategic decisions to move towards marketing more bio based products.

The Healthcare division of CIC ensures that pharmaceuticals that have less than 75% of remaining shelf life are not imported, while products are also recalled 3 months prior to their expiration dates by the Company. Additionally, all pharmaceuticals and devices imported by this sector should have a product registration certificate from the NMRA.

As is done in the Healthcare sector, CIC also recalls any crop protection chemicals that are not sold within 2 years of manufacture, for safe disposal.

For CIC Agri Businesses, a test sample must be drawn from each batch of all products manufactured. Various local and central Government bodies also set standards and requirements for our companies, including SLSI, BOI, and the CEA, as well as the National Fertilizer Secretariat and Agriculture Department for CIC Agri Businesses, and the Department of Animal Production and Health, and Industrial Technology Institute for CIC Feeds. Companies within our Group have also obtained relevant certifications when required, including ISO 22000:2005 and HACCP food safety management systems certifications for companies within the CIC Agri Businesses and CIC Feeds Groups, and GMP and HACCP certifications that are held by Link Natural.

At CISCO, the PET bottles manufactured undergo stringent testing, and every shipment obtains quality and food grade certificates to confirm that all products in the market are of food and beverage packaging grade. To ensure this, the company has strict evaluation criteria for its suppliers, the majority of whom are resin suppliers, where the availability of relevant certifications, capacity for providing food grade raw materials, and availability of technical support is assessed.

In terms of analysis of products for health and safety at the disposal stage, though we educate farmers on the safe disposal of fertilizer and crop protection chemical products, actual methods of disposal by the end consumer of our products have not been assessed so far.

Products and Services –Labeling

CIC believes in providing its customers with as much information on its products and services as possible, keeping in line with statutory requirements. This is particularly important when it comes to products related to agriculture, pharmaceuticals, chemicals, or food.

The Healthcare division of CIC Holdings must provide details of manufacturers and information on the safe use of its products including how to use products, dosage, and so on, as part of its product labeling.

Similar information must be made available by Crop Solutions, and labels must include precautionary information as per Government regulations, while the Company also makes sure to educate farmers, dealers, and even Government officials on the safe use of its products.

At CIC Agri Businesses too, as per the National Fertilizer Secretariat regulations, and SLS and ISO requirements, product information on fertilizer products must be made available. Additionally, food items such as rice, yoghurt, and eggs sold by the Company, must carry specific information on their package labeling as per SLS and ISO requirements and Consumer Affairs regulations.

Customer Satisfaction

The CIC Group believes in regularly understanding the levels of satisfaction of its customers. Specific channels are in place in order to obtain customer feedback, in addition to the open channels that are in place through which customers could provide their feedback or voice their concerns as and when needed.

Company/ Division	Frequency of measuring customer satisfaction	Methodology	Other mechanisms by which customers provide feedback	Customer feedback and actions taken
CIC Holdings	Healthcare division – quarterly Crop Solution – biannually Industrial Chemicals - annually	Interviews, survey questionnaires	Regular visits by product managers Through regular audits conducted by customers Through customer interviews	Formulation of products are modified in line with customer requirements. Offering different pack sizes based on customer needs Discussing concessional rates General customer satisfaction is assessed and necessary remedial actions are taken
Link Natural	Quarterly	Qualitative research on usage and attitudes, validated by quantitative research if relevant	Telephone calls, email, and correspondence	The Company conducts research directly with consumers, and through this, also understands consumer needs
CIC Agri Businesses	Monthly	Monthly visits by marketing and field staff	One on one meetings, email, and telephone	Any complaints raised are handled by the production team or marketing team as appropriate
CIC Feeds	Monthly	Monthly dealer and customer visits by field staff	Dedicated 24 hour customer care hotline	The field force regularly visits customers and feedback on their satisfaction is received on a continuous basis
CISCO	Monthly / annually	Telephone calls, visits, survey questionnaires	By email or telephone	Quality and specifications of products and aspects related to delivery are discussed

Marketing Communications

Products that are banned or disputed are not marketing by any companies within the CIC Group.

However, the use of fertilizer and crop protection chemicals continue to be a matter of stakeholder question and public debate on a national level, due to the alleged link to Chronic Kidney Disease particularly in the North Central Province of Sri Lanka.

The overuse of certain agricultural inputs by the farming community continues to be the biggest challenge the agriculture industry faces today, which by now has resulted in the contamination of ground water, rivers, and reservoirs.

CIC strongly believes that education and awareness is key to overcoming this issue, and we continue to educate the farming community on scientific crop management and on the judicious use of our products. We also ensure that the products we market have been widely researched for minimal negative impacts on humans and the environment, and consist of raw materials that are sourced from the best suppliers.

Companies within the CIC Group face varying regulations in terms of marketing communications, based on the nature of their products. For example, pharmaceuticals marketed by the Healthcare Division of CIC Holdings, cannot be advertised through mass media, nor can the agro chemical products of Crop Solutions. For the latter, new regulations are in place with regards to

pesticide branding and promotion, and only farmer based communication is allowed, through the sharing of technical information.

All regulatory restrictions related to marketing communications are strictly followed across the CIC Group, and therefore no entities within our Group have faced any incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion, or sponsorships, within the period under review, except for one incident which contravened the “Food (Labelling and Advertising) Regulations- 2005”

Product and Service Related Compliance

As previously mentioned in the context of customer health and safety, the CIC Group ensures that all products and services offered, satisfy the requirements of all relevant central and local Government authorities, including the Sri Lanka Standards Institute (SLSI), Board of Investment (BOI), Central Environmental Authority (CEA), Industrial Technology Institute, and so on, and the Group’s companies have also obtained the necessary certifications relating to their specific products or services.

For the Healthcare division of CIC Holdings, all pharmaceuticals and devices imported must have a product registration certificate from the NMRA, while at Crop Solutions, some brands are sold only based on Government request, and new product registrations require certificates obtained from GLP (Good Laboratory Practices) certified laboratories.

Link Natural’s products are registered with the Department of Ayurveda and the Company holds GMP and HACCP certifications, while certain products also have product specific certifications such as SLS for Link Sudantha toothpaste. Similarly, companies under CIC Agri Businesses and CIC Feeds operating in the food and beverage sector hold ISO22000: 2005 and HACCP food safety management systems certifications.

No entity covered by the boundary of this report faced any monetary fines for non-compliance with laws or regulations concerning the provision and use of their products or services, and no entity faced any monetary fines or non-monetary sanctions for non-compliance with laws and regulations in general during the reporting period.

GRI Content Index for 'In accordance' – Core

General Standard Disclosures		
General Standard Disclosures	Page	External Assurance
Strategy and Analysis		
G4-1 Managing Director's Statement	1	None
Organizational Profile		
G4-3 Name of the Company	2	None
G4-4 Primary brands, products, and services	2 & 3	None
G4-5 Location of headquarters	2	None
G4-6 Number of countries in which the Company operates and names of countries where either the Company has significant operations, or that are specifically relevant to the sustainability topics covered in the report	2	None
G4-7 Nature of ownership and legal form	2	None
G4-8 Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	2 & 3	None
G4-9 Scale of the Company	4	None
G4-10 Employment statistics	4	None
G4-11 Percentage of total employees covered by collective bargaining agreements	24	None
G4-12 Description of the Company's supply chain	5	None
G4-13 Significant changes during the reporting period regarding the Company's size, structure, ownership, or its supply chain	3	None
G4-14 How the precautionary approach or principle is addressed by the Company	5	None
G4-15 List of externally developed economic, environmental, and social charters, principles or other initiatives, to which the Company subscribes or endorses	5	None
G4-16 Memberships of associations and international and national advocacy organizations in which the Company holds a position on the governance body, participates in projects or committees, views membership as strategic, etc.	5	None
Identified Material Aspects and Boundaries		
G4-17 List of entities included in the Company's consolidated financial statements	(AR page 53), 6	None
G4-18 Process for defining the report content, and the aspect boundaries	6	None
G4-19 List of material aspects identified in the process for defining report content	6 & 7	None
G4-20 Material aspects and aspect boundary within the Company	6 & 7	None
G4-21 Material aspects and aspect boundary outside the Company	7	None
G4-22 Effect of any re-statements of information provided in previous reports and the reason for such re-statements	9	None
G4-23 Significant changes from previous reporting periods in scope and aspect boundaries	9	None

Stakeholder Engagement		
G4-24 List of stakeholder groups engaged by the Company	7 & 8	None
G4-25 Basis of identification of stakeholders with whom to engage	7 & 8	None
G4-26 The Company's approach to stakeholder engagement including frequency of engagement, by type and by stakeholder group	7 & 8	None
G4-27 Topics and concerns that have been raised through stakeholder engagement and how the Company has responded	7 & 8	None
Report Profile		
G4-28 Reporting period for information provided	9	None
G4-29 Date of most recent previous report	9	None
G4-30 Reporting cycle	9	None
G4-31 Contact point for questions regarding report content	9	None
G4-32 'In accordance' option, and GRI Content Index	29	None
G4-33 The Company's policy and current practice regarding seeking external assurance for the report	9	None
Governance		
G4-34 Governance structure of the Company including committees of the highest governance body	(AR pages 20-23), 9	None
Ethics and Integrity		
G4-56 The Company's values, principles, standards and norms of behaviour	(AR pages 04&05), 9	None

Specific Standard Disclosures			
Material Aspects	DMA and Indicators	Page	External Assurance
Economic			
Economic performance	G4-EC1, G4-EC3, G4-EC4	9,10,11,12	None
Market presence	G4-EC5, G4-EC6	12	None
Indirect economic impacts	G4-EC8	13	None
Procurement practices	G4-EC9	13	None
Environmental			
Materials	G4-EN1, G4-EN2	14	None
Energy	G4-EN3, G4-EN6	14,15	None
Water	G4-EN8, G4-EN10	15,16	None
Biodiversity	G4-EN11	16	None
Emissions		16	None
Effluents and waste	G4-EN22, G4-EN23, G4-EN24	17,18	None
Products and services	G4-EN27	18	None
Transport	G4-EN30	18,19	None

Supplier environmental assessment	G4-EN33	19	None
Social			
Labour Practices and Decent Work			
Employment	G4-LA1	19	None
Occupational health and safety	G4-LA6	21	None
Training and education	G4-LA9, G4-LA11	21,22	None
Diversity and equal opportunity	G4-LA12	22	None
Equal remuneration for women and men	G4-LA13	23	None
Labour practices grievance mechanisms	G4-LA16	23	None
Human Rights			
Non discrimination	G4-HR3	24	None
Freedom of association and collective bargaining	G4-HR4	24	None
Child labour	G4-HR5	24	None
Forced or compulsory labour	G4-HR6	24	None
Supplier human rights assessment	G4-HR11	25	None
Society			
Local communities	G4-SO1, G4-SO2	25	None
Compliance	G4-SO8	28	None
Product Responsibility			
Customer health and safety	G4-PR1	25	None
Product and service labeling	G4-PR3, G4-PR5	26	None
Marketing communications	G4-PR7	27	None
Compliance	G4-PR9	28	None