

PLANNING FOR THE FUTURE

Supplementary Report



▶ CONTENTS

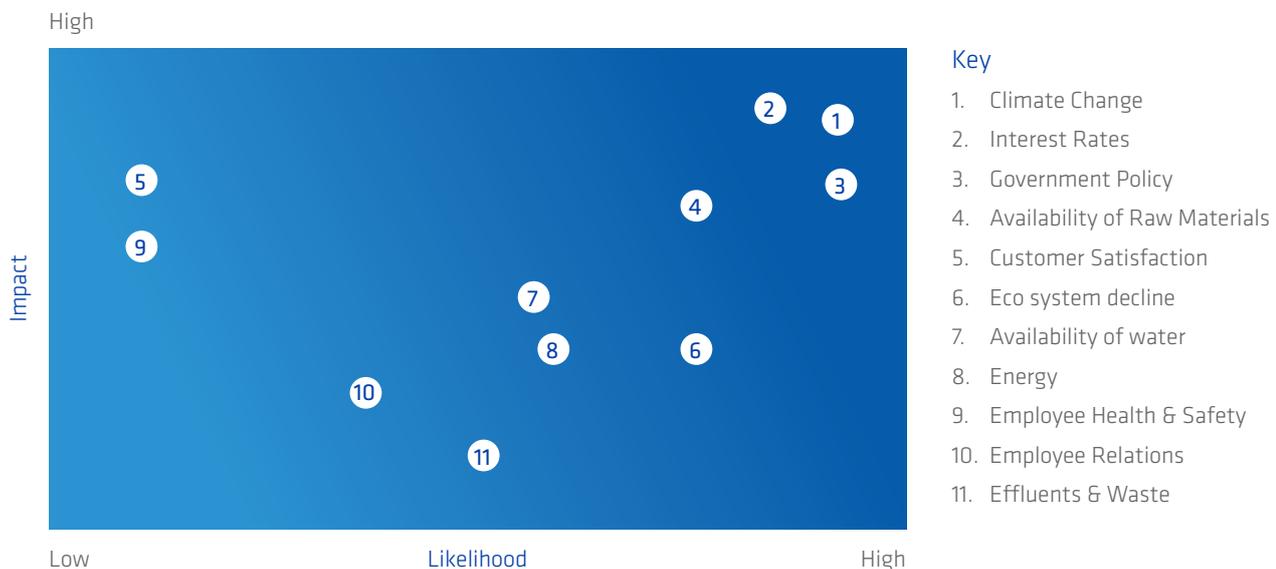
Managing Risk	1
Operating Environment	6
Agri Produce	9
Livestock Solutions	14
Health & Personal Care	17
Industrial Solutions	21
Crop Solutions	24
Capital Reports	26
Impact Report	53
GRI Index	64

▶ MANAGING RISK

Managing risk is pivotal to sustained delivery of shareholder value and achieving the strategic goals of the Group. Responsibility for managing risk lies with the Board and they are assisted in this by the Board Audit Committee. Managing risk is a shared responsibility across the Group as numerous employees within the group accept, mitigate and manage a wide range of risks in the normal course of their work. The Board has set in place a risk management framework comprising a risk governance structure, policies, monitoring and assessment processes to manage the same. Risk awareness is key to effectively managing risk and CIC Group fortunate to have experienced professionals whose knowledge of the underlying forces in their respective spheres of activity facilitates effective management of risk.

Each business sector is responsible for identifying and managing risk in their respective areas of operation which are reviewed on an overall basis by the Corporate Management Team and the Board on a monthly basis. Those risks which are assessed to have a moderate to high probability of occurrence and/or a moderate to high impact on the operations of the company are monitored and managed actively.

The Top Risks to the Group's capacity to deliver value to its stakeholders are summarized below.



Principal Risks & Uncertainties

As our businesses are diverse, it is necessary to assess risk according to their relative impact on the Group's strategic goals. Consequently, a review of the Group's diversity is relevant at this point.



► MANAGING RISK

Impact	Mitigating Activities	Net Risk Assessment
Climate Change		
<p>Climate change impacts our business in multiple ways.</p> <p>Crop Solutions and Agribusiness are directly impacted</p> <p>Livestock solutions is impacted due to raw material input price volatility</p>	<ul style="list-style-type: none"> > Drip irrigation systems set in place in the farms to combat drought as the farms are in dry zone. > Investments in greenhouses to grow vegetables > Facilitating crop protection insurance for farmers 	<p>High</p> <p>Based on the limited impact of possible mitigating activities and limited range of tools to manage this risk.</p>
Interest Rates		
<p>As the Group has a debt equity ratio of 167%, interest rates are critical to managing profitability of the Group. During the year, interest rates were impacted by both movements in policy rates and tightening liquidity in financial markets.</p>	<ul style="list-style-type: none"> > Strengthening of cashflow as new projects become operational and we deliver on organic growth and cost leadership strategies > The Board is exploring options to optimise debt equity ratios within the context of the current interest rate scenario 	<p>High</p> <p>Based on forecast interest rate movements</p>
Government Policy		
<p>Government policies in diverse areas varying from agriculture, interest rates, inflation, exchange rates, industry regulation, taxation, energy and wages has a direct impact on the CIC Group.</p>	<ul style="list-style-type: none"> > Increased emphasis on monitoring government policy to manage impacts > Participating in joint industry panels and government panels to create awareness of prevailing issues and formulating appropriate strategies to resolve them 	<p>High</p> <p>Based on assessment current levels of impact</p>
Availability of Raw Materials		
<p>Availability of raw materials directly impact the quality, of our wide range of products, impact volume growth and operating margins.</p>	<ul style="list-style-type: none"> > Monitor supply demand dynamics of critical raw materials to optimise price and purchasing points > Forward contracts where deemed necessary to manage price and volume > Guaranteed buyback schemes and technical support for farmers for agri inputs > Work with globally renowned suppliers of raw materials > Ensure that suppliers of raw material have certifications for their manufacturing processes > Quality control processes from receiving point to ensure a match with specifications > Monitoring market trends for raw materials to ensure we receive competitive pricing > Refer page xx on Creating Value for Suppliers for further information. 	<p>High</p> <p>Based on availability of critical agricultural raw materials, prevailing drought and exchange rate movements which overshadow our supplier relationship management and quality control processes</p>

Impact	Mitigating Activities	Net Risk Assessment
Customer Satisfaction		
Customer satisfaction is key to business growth	<ul style="list-style-type: none"> > High levels of customer engagement to understand areas of concern including market research > High levels of product responsibility maintained throughout the entire Group > Regular review of product portfolios and product launches to introduce new products to market > Monitoring customer rankings > Refer Creating Value for Customers on page 37-40 	<p>Moderate</p> <p>Based on processes in place and adjusted to recognize the rapid pace of change in customer requirements</p>
Eco System Decline		
Eco system decline affects the yields of the agricultural sector and have negative social impacts on the communities in which we operate.	<ul style="list-style-type: none"> > Educating farmers on sustainable agricultural practices, particularly the judicious use of fertilizer and other agro chemicals > Implementing sustainable agricultural practices in our own farms > Introducing high yielding seed varieties to maximize yield 	<p>Moderate</p> <p>Based on the implementation of the voucher system for farmers and behavioural changes achieved</p>
Availability of Water		
Water is required for many of our factories and farms. While the drought impacted farmers and our agriculture based businesses significantly, the impact on our manufacturing operations was manageable.	<ul style="list-style-type: none"> > The principal source of water for our factories is from municipal sources which have the capacity to provide a stable supply of water > Our farms have drip irrigation systems in place which can be switched on when required to mitigate dry weather conditions > Recycle water withdrawn from source for cooling and heating purposes > Refer page 30-36 of the Natural Capital segment for further information. 	<p>Moderate</p> <p>Based on rainfall patterns and investments in reducing water footprint for Group operations</p>
Energy		
Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	<ul style="list-style-type: none"> > Review energy requirements and supply from the main grid > Investing in energy efficient machinery and equipment > Continuous monitoring of energy intensity ratio to drive required action > Back-up energy generating equipment being installed. > Investing in energy audits to explore energy saving improvements and opportunities. > Refer page 30-36 of the Natural Capital segment for further information 	<p>Low</p> <p>Based on availability of energy and country's plans to increase capacity</p>

► MANAGING RISK

Impact	Mitigating Activities	Net Risk Assessment
Employee Health & Safety		
We value our employees and recognize our responsibility to provide a safe working environment. We also understand that specific aspects of our processes present higher levels of risk to employees' health and safety.	<ul style="list-style-type: none"> > Establishment of worker management health and safety committees to ensure their views are understood and addressed > Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same > Maintaining and monitoring employee health and safety statistics > Refer page 34 of the Human Capital Report for further information. 	<p>Low</p> <p>Based on established structures, procedures, monitoring and review mechanisms</p>
Employee Relations		
Employee relations are a key concern we rely on their skills and commitment to deliver value to stakeholders	<ul style="list-style-type: none"> > Open door policy for employees to discuss areas of concern > Balanced HR policies applied in a consistent manner building trust with employees > Policy of giving preference to internal candidates for vacancies > Mentoring culture > High retention rates > Refer page 34 of the Human Capital Report for further information. 	<p>Low</p> <p>Based on established structures, procedures, monitoring and review mechanisms</p>
Effluents & Waste		
Effluents from our processes contain chemicals and are discharged to the river after treatment which can affect the community and the bio diversity of the surrounding area.	<ul style="list-style-type: none"> > Investing in effluent treatment and solid waste management > Monitoring quality of effluents to ensure conformity with CEA requirements > Refer Natural Capital Report on page 30-36 	<p>Low</p> <p>Based on investments and rigorous monitoring processes in place</p>
Product Responsibility		
Product responsibility is critical to our reputation and growth	<ul style="list-style-type: none"> > Culture of high commitment to product responsibility > Compliance with regulatory and certification requirements > Monitoring of customer complaints > Supplier screening for financial, social and environmental criteria > Quality control processes > Refer Creating Value for Customers on page 37-40 	<p>Low</p> <p>Based on processes in place</p>

Impact	Mitigating Activities	Net Risk Assessment
Community Relations		
As key player in the country's agricultural sector supporting livelihoods of over xxx farmers, community relations are vital for our growth.	<ul style="list-style-type: none"> > High levels of engagement with community and farmer networks at all levels > Strong community value propositions to maintain an appropriate balance > Building pride in the organization with farmers and community > Refer Creating Value for the Community on page 42-50. 	<p>Low</p> <p>Based on high levels of engagement with communities</p>
Emissions		
Directly impacts our carbon footprint, compliance with CEA license and the quality of air in the community.	<ul style="list-style-type: none"> > Investments in energy efficient technology > Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications > Refer Natural Capital Report on page 30-36 for more information 	<p>Low</p> <p>Based on current requirements and plans in place for reducing the carbon footprint</p>
Relationships with Principals		
A significant proportion of our businesses rely on relationships with principals of global repute	<ul style="list-style-type: none"> > High levels of engagement with principals at senior levels > Compliance with varying requirements of principals for storage, marketing and distribution of their products and other administrative aspects > Consistent delivery of value to principals 	<p>Low</p> <p>Based on processes in place for compliance and proven track record for performance</p>
Marketing Communications		
Marketing communications are key to growth requiring a fine balance that does not over promise while conveying our capability to potential and existing customers	<ul style="list-style-type: none"> > Marketing communications are reviewed at Corporate Management level to ensure accuracy, integrity and appeal > Monitoring fines, if any. 	<p>Low</p> <p>Based on high level team engaged in the process and zero fines.</p>

▶ OPERATING ENVIRONMENT

CIC derives 96% of group revenues from its home domestic market with operations extending across the agriculture and manufacturing sectors of the economy. Consequently, the country's socio economic trends, government policy and climate have significant impact on the performance of the Group. Exchange rates movements also impact the financial performance of the Group as key inputs are sourced from overseas suppliers and the Industrial and Herbal and Personal Care sectors distribute products imported from globally reputed principals. Labour markets play a key role in determining not just the availability of talent but also consumer purchasing power. The review of the operating environment provides information that is relevant to the operations of the Group and excludes various developments which do not have a material impact on the operations of the Group.

Sri Lankan Economy

Sri Lanka's GDP growth moderated to 4.4%, in comparison to 4.8% in 2016 due to unfavourable weather and sluggish recovery of global markets. Growth continues to be driven by consumption which accounted for 76.2% of GDP as increasing interest rates and inflation coupled with tightening fiscal policies contributed to reduce consumer purchasing power. Private sector credit growth of peaked at 28.5% in July 2016 before moderating to 21.9% by end of 2016 in response to tightening monetary policy.

The agriculture sector contracted by 4.2% due to a prolonged drought coupled with an isolated flood in May 2016. Production of paddy, tea, rubber and coconut all contracted mainly due to adverse weather conditions and demand factors. Productivity in the tea sector was also affected by the withdrawal of the fertilizer subsidy and the resultant reduction in application of fertilizer.

GDP Growth %		
	2016	2017(F)
World	3.1	3.5
Emerging & Developing Markets	4.0	4.1
Emerging & Developing Asia	6.6	6.4
Sri Lanka	4.4	4.8

Source: World Economic Outlook April 2017

Several initiatives were implemented under the three year programme of the government "A Wholesome Agriculture – A Healthy Populace – A toxin-free Nation" which impacted the sector both positively and negatively with liberalization on some aspects and regulation on some other aspects.

The industry sector recorded growth of 6.7% accelerating its growth from the 2.1% recorded in 2016, strongly supported by the performance of the construction sector which grew by 14.9% and accounted for 28% of the industry sector output. Other sectors that demonstrated growth included mining and quarrying, manufacture of rubber and plastic products, manufacture of basic metals and fabricated metal products and manufacture of machinery and equipment. Key sectors that contracted during 2016 included the Manufacture of Food, Beverages and Tobacco and Manufacture of Textile, Wearing Apparel & Leather Related Products and chemicals and chemical products which were impacted by floods, sluggish growth in key markets and increased costs of inputs due to exchange rates.

Service sector growth was 4.2% supported by strong growth in the financial services sector and the transportation of goods and services including warehousing sector.

Wholesale and Retail Trade accounted for 10.6% of GDP growing at a moderated pace of 2.5% reflecting the tightening fiscal policy measures implemented during the year. The service sector remains the engine of growth in the country accounting for 56.5% of GDP.

Interest Rates

Interest rates increased sharply during the year as Central Bank increased the Statutory Reserve Ratio by 1.50% in January 2016 to 8.5%, following this up with increases in the Standing Deposit Facility Rate and the Standing Lending Facility Rate by 50 basis points in February and a further 50 bps in July 2016. SDFR and SLFR closed the year at 7% and 8.5% respectively reflecting the measures taken to pre-empt escalation of inflationary measures and support the Balance of Payments. Tightening liquidity and high demand for funds from the government are reflected in the upward movement of the Treasury Bill rate and AWPR which moderated towards the latter half of 2016.

Inflation

Inflation as measured by the CCPI moved from 4.6% at the close of 2015 to 4.5% at the end of 2016 and upward to 6.9% as at March 2017. The downward movement observed in the first and third quarters of 2016 was mainly due to the tighter fiscal measures implemented and lower commodity prices in international markets. Inflationary pressures increased in the second quarter of 2016 due to supply side disruptions in the domestic markets stemming from adverse weather conditions. Implementation of new VAT rates in November 2016, prolonged drought and increasing commodity prices in global markets resulted in upward pressure on the CCPI in 2017. Core inflation, the key indicator for demand excluding volatile elements such as energy, followed a similar trend reflecting the revisions to the tax structure.

Exchange Rate and External Sector

The Sri Lankan rupee continues to depreciate against the dollar during 2016 as shown in the graph below. The dollar has depreciated by 28% since 2010 and recorded the highest average at Rs.150.09 in January 2017.

The government policy of greater flexibility has contributed to the fluctuation of currency. The widening of the external sector in 2016 is attributable to the decrease in exports by US\$236Mn (0.7%) and the increase in imports by US\$465 (7.9%) contributed to the depreciation of currency in 2016.

Expansion of the trade deficit by 1.5% is largely attributable to the significant increase in imports possibly due to the adverse weather conditions that hampering the local manufacturing and the depreciation of the rupee. The GDP in 2016 declined to 4.4% compared to 4.8% in 2015.

Foreign Direct Investments declined by 17.4% mainly due to contraction in FDI inflows as a result of the decrease in inflows to infrastructure projects by 25.1%, services and manufacturing by 17% and 3.6%, respectively.

The depreciation of the Dollar has impacted the cost of raw materials imported by the Group and consecutively impacted the bottom line.

Global Economy

Global economic growth for 2016 remained unchanged from previous year at 3.1% as estimated by the IMF. According to the IMF, "emerging markets and developing economies (EMDE) have become increasingly important in recent years contributing for more than 75% of global growth in output and consumption".

IMF projects global growth to pick-up in pace in 2017 and 2018 at 3.4% and 3.6% in 2017 and 2018 respectively. The turnaround in growth is mainly due to the predicted

strengthening of the EMDEs' growth with the gradual normalization of conditions in a number of large economies that are currently experiencing macroeconomic strains. EMDE growth currently at 4.1% is projected to increase to 4.5% in 2017 and 4.8% in 2018. Advanced economies are projected to grow by 1.9% in 2017 and at 2% in 2018. However, uncertainty regarding potential changes in the policy stance of the United States under its new administration and the potential impacts of Brexit remain as areas of concern. Details of projections are listed below:

Levels	2015	2016	2017	2018
		(estimate)	(Projection)	(Projection)
	%	%	%	%
World Output	3.2	3.1	3.4	3.6
Advanced Economies	2.1	1.6	1.9	2.0
United States	2.6	1.6	2.3	2.5
Euro Area	2.0	1.7	1.6	1.6
Japan	1.2	0.9	0.8	0.5
United Kingdom	2.2	2.0	1.5	1.4
Emerging Market And Developing	4.1	4.1	4.5	4.8
Commodity exporters				
Russia	-3.7	-0.6	1.1	1.2
Emerging and developing Asia	6.7	6.3	6.4	6.3
China	6.9	6.7	6.5	6.0
India	7.6	6.6	7.2	7.7
ASEAN 6	4.8	4.8	4.9	5.2

Source: IMF

Outlook

The Sri Lankan economy is projected to grow at 5% in 2017 taking into account the impact of adverse weather conditions. Growth is expected to gradually increase thereafter to record an annual growth rate of 7% by 2020. Expansion would be supported through increased investment from the private sector and through foreign investments. The opportunities for the private sector would include the establishment of the Colombo Financial City, new opportunities under the Western Region Megapolis Project and the proposed establishment of economic corridors in the North East and South West of the island, and also in the areas surrounding the Hambantota and Trincomalee ports.

Emphasis by the government on improving productivity through the adoption of new

technology in the Agriculture and Industry sectors is a positive outlook to the Group. These developments are expected to be supported by complementary policy measures of the government in both the fiscal and external sectors together with prudent macroeconomic management policies.

With the official announcement of Central Banks' monetary and financial policies for 2017 and beyond a Flexible Inflation Targeting framework is expected to be followed and inflation is predicted to be maintained at an average rate of 5% and the nominal exchange rate is also expected to be allowed to adjust to attain a real effective exchange rate.

The Group strategy remains to continually monitor the operating environment for opportunities and to respond to risks on a timely manner.



“CIC Agri Businesses are operated under eight sub-sectors that manages the entire supply chain from seed to shelf connecting rural farmers to urban consumers.”

► AGRI PRODUCE

“We manage five farms totaling to over 10,000 acres of farmland and work directly with over 20,000 rural farmers and around 10,000 out-grower farmers in producing a wide range of Agri Produce.”



CIC Agri Businesses are operated under eight sub-sectors that manages the entire supply chain from seed to shelf connecting rural farmers to urban consumers and facilitating the socio economic progress of rural communities with the guarantee of CIC quality. We manage five farms totaling to over 10,000 acres of farmland and work directly with over 20,000 rural farmers and around 10,000 out-grower farmers in producing a wide range of Agri Produce from seed paddy to rice to variety of healthy rice grains to fruit and vegetable to corn to eggs and dairy products such as yogurt and curd contributing to the country's food security, nutrition and import substitution initiatives. We also make substantial investments in our research and development facilities which include rice breeding, soil labs, seed labs, food labs and tissue culture labs and work with reputed overseas principals for developing modern technologies comprising high yielding and pest resistant crop varieties in to the country. Our products are marketed in Sri Lanka as well as to the export markets. Our mills are HACCP and ISO 22000 certified.



Brand Capital



> 09 outlets spread across the island that bring CIC products to consumers directly assuring quality and standards.



> Six different rice products to suit the changing life styles



> CIC yogurt, drinking yogurt and curd that satifies over consumers 16% of the market.



> Three main forms at Talawa, Hingurakgoda and Pelwehera.

► AGRI PRODUCE

About the Sector
Relevance to Group
11% of Revenue 13% of Assets 12% of Liabilities
Sub-sectors
Agri Produce Retail Chain Operated under the brand “Fresheez” is the only business of the Group that has direct contact with the consumer and that have a traceability that connects consumers to farmers.
Agricultural Resorts Situated in a 1380 acre farm land in Hingurakgoda, CIC Agri Resorts is a star class agricultural resort.
Farms The three major agricultural Seed farms operated under CIC Seeds (Pvt) Ltd at Talawa, Hingurakgoda and Pelwehera is reported under this category.
Dairy Production CIC Dairies (Pvt) Ltd manufacturers' yoghurt, yoghurt drinks and curd and distributes island-wide.
Fruit and Vegetable cultivation The 150 acres of land produces superior quality bananas for local and export market.
Grains Produce high quality corn for the animal feed industry and for human food consumption.
High tech agriculture Cropwiz (Pvt) Ltd uses the most advanced technology to produce vegetables under protected environment for export markets.
Rice CIC Agri Produce Export (Pvt) Ltd supplies high quality rice to local and export markets.

Operating Context

Sri Lanka's agriculture sector continues to be a key sector in the economy despite its low contribution to GDP providing food nutrition, income and employment to 27.1% of the populations and raw material for animal feeds and brings in foreign exchange.

The decline in the sector growth by 4.2% in 2016 (+4.8% 2015) was mainly due to the adverse weather conditions in the country. The severe floods in the second quarter of 2016 and subsequently the worst drought in four daces effecting both seasons of cultivation and supporting activities. CIC's related activities were effected, a reduction of paddy production by 8.3% and fruit production by 6% compared to previous year. However the vegetable production increased marginally by 1.3% and the milk production also grew by 2.6%. The Poultry production continued its growth trends by 5.7% compared previous year.

Key challenges in 2016/17

- > Worst drought in four decades
- > Change in government policies and procedures.
- > Currency fluctuations
- > Commodity tax increases

Strategy and Performance

		2016/17 12 Months	2015/16 12 Months	
Economic	Revenue	LKR Mn	3,784	2,432
	PBT	LKR Mn	(428)	(35)
	PAT	LKR Mn	(408)	(36)
	Total Asset	LKR Mn	3,993	3,280
	Total Debt	LKR Mn	2,372	2,651

Strategy and Performance

The Agri Produce sector delivered a positive performance despite the many un-controllable challenges with overall revenue growth of 56%. Details of each sub-sector are as follows:

Agri Produce Retail Chain

Recently rebranded retail outlets “Fresheez” have proven success with 9 retail outlets contributing in revenue growth of 12% compared to previous year. The turnover increased by 12% and PBT by 21%. Introduction of a wider product range and ensuring minimum cost on stale dated, perishables have contributed to the growth. We have maintained superior product quality by ensuring continuous knowledge sharing to our out-growers for superior product output and a well manage collection centers.

Farms

The three major agricultural Seed farms operated under CIC Seeds (Pvt) Ltd at Talawa, Hingurakgoda and Pelwehera is reported under this category. The farms produce over 3,950 metric tons of high quality rice seed per annum for the local market and have demonstrated to be the best managed farms in Sri Lanka with the

most modern agricultural technologies and internationally accredited research and laboratory facilities. With yields above national average, this cluster has 30%-35% market share in the seed paddy market facilitating livelihoods of over 100,000 of rural farmers.

Our innovations include the developing our own variety of red and white basmati rice seeds with a Low glycemic index of 54%, high protein and high fiber and less starch rice seeds for the local and export market. Further seeds have been developed with reduce harvest time period from 90 days to 75 days for faster cultivation results.

During the year revenue and PAT grew by 10% and declined by 17% respectively compared to previous year despite the adverse weather conditions and fluctuations in exchange rates, contributing 6% to the overall sector growth in revenue.

The growth is mainly accredited to our research and development team who constantly look at innovation of new products keeping to the changing lifestyle needs. The team continues its efforts to provide better products to the market and the make CIC a niche brand.



Dairy Production

CIC has the largest systematic milk out grower farmer network of over 2,000 out growers for collection of milk from five collection points for manufacture of yoghurt, yoghurt drinks and curd. State of the art technology and stringent hygienic conditions in the production centers and island wide distribution network over 67 distributors maintaining the vital cold chain facilities ensures consistent product quality. CIC uses only locally produced milk for its operations and its production is certified by ISO22000, Halal certification and CEA certification for water quality.

During the year the cluster contributed to the sector revenue by 16% with turnover of Rs.1,228 Mn. Compared to previous year its revenue and PAT grew marginally by 20% and 134% respectively.

The re-branding of the products to cremo in later part of 2016 in keeping with CIC's policy of unique brand identification has seen positive results and management are hopeful for continued growth in turnover and market share in the coming years.



Fruit & Vegetable Cultivation

This cluster is operated in a 150 acres of farm land producing over 2,000 metric tons of superior quality bananas per annum for local and export market. During the year the cluster contributed 2% to the segment turnover. The stagnant growth is mainly due to the adverse weather conditions experienced during the year. Its PBT declined during the year by 82% mainly due to having to value its stocks to the declining market prices.

Grains

CIC's investments' in the Maze industry provides the total production package from seeds to fertilizer to modern cultivation technology and know-how and to a state of the art drying and storing facilities. This provides way to cultivate and produce 50,000 metric tons of corn and provide assistance to around 10,000 out grower farmers and cultivate approximately 20,000 acres of farmland in the Anuradhapura and Monaragala districts making CIC the largest corn producer in Sri Lanka.

During the year CIC produced 22,205 metric tons of corn. The decline of production was mainly due to the delays in commencing operations and late entry to the market in the early part of 2015 and the floods that severely destroyed the corn cultivation which resulted in having to purchase maze at a higher price. Reduction in revenue compared to previous year due to the reduction in production quantities as explained above and due to the implementation of controls over the selling price of corn. Also, the use of surplus rice stock as a substitute for corn resulted in further decline in selling prices. The latter part of 2016 and the first quarter of 2017 was effected by the severe drought in four decades which too impacted the years

Production quantities. With anticipation of there being no further sever changes in the weather patterns the Company hopes to recover its losses incurred during the past year and move toward a healthier growth rate.

► AGRI PRODUCE

Hightech Agriculture

Keeping in line with CIC's vision of being a high-tech agricultural company, this cluster is managed under the registered name Cropwiz (Pvt) Ltd which uses the most advanced technology to producing vegetables under protected environments to ensure year round supply consistency, optimum utilization of inputs, highest productivity, and product safety for the export market. The project is currently in implementation stage and management is hopeful in gaining rewarding results in the coming years.

Rice

Agri Produce Export (Pvt) Ltd reports under this sub-sector that provides technical support to over 1500 farmers to produce high quality paddy in accordance to CIC specifications. These produce is purchased at an agreed price providing farmers a sustainable income. Our processing factory in Maho is fully equipped with modern machinery and spacious warehouses with a capacity of 6,000 tons of rice per annum, processes the paddy in to rice and packages for retail markets. Management systems are endorsed with certifications such as HACCP, ISO 22000 and US FDA testimony to the high standards maintained.

The Rice cluster contributed 6% to years the sector turnover. Its turnover increased by 14% and net profits by 129% compared to previous year. The cluster having focused on high value specialty rice such as low GI, high protein and less starch rice has contributed to the growth in the cluster even as the country faces a negative growth in GDP in paddy sector.



“CIC Livestock Solutions sector activities include formulating and manufacturing of animal feeds, production of hatching eggs and producing Day old chicks at our state-of-the-art Hatchery.”

▶ LIVESTOCK SOLUTIONS

“We are a key player in the field of livestock and maintain a competitive advantage through strong relationships with small and medium scale livestock farmers as well as an island wide distribution network.”

CIC Livestock Solutions sector activities include formulating and manufacturing of animal feeds, production of hatching eggs and producing Day old chicks at our state-of-the-art Hatchery, for our own Broiler rearing facility and for sale to outside livestock farms. We also undertake Dairy Breeding. Our Chicken processing facility producing frozen and chilled chicken products for the consumer market uses poultry only from our own facilities and does not resort to contract growing or buy back farming, maintaining our principle of high food safety standards, hygienic quality and traceability of our products. Further, it markets animal health products manufactured by globally renowned principals. We are a key player in the field of livestock and maintain a competitive advantage through strong relationships with small and medium scale livestock farmers as well as an island wide distribution network coupled with an understanding of the issues along the entire supply chain.

Operating Context

The poultry sector furthered its growth in 2016/17 estimated at 5.7% growth in chicken production as per Department of Animal Production and Health. However, the cost of production of chicken increased by 5.35% to Rs.306.74 per kg of dressed weight in 2016/17 and price ceiling of Rs.380 per Kg increased to Rs. 410 per kg. The Price control was removed in the latter part of the year but due to the depressed market prevailing at that time the price was increased only by Rs. 10 per Kg.

The egg production recorded a growth of 8.5% over the previous year to 2.0 billion and the total national milk production continued to expand with a growth of 2.6% producing 384Mn litres of milk, paving way to the government efforts of achieving self-sufficiency.

Key challenges in 2016/17

- > Floods in the first quarter of the year
- > Increase in taxes and currency fluctuations
- > Increase in Feed Prices
- > Tightening of government policies

About the Sector

Relevance to Group

20% of Revenue
16% of PBT
22% of Assets
19% of Liabilities

Sub-sectors

Feeds

Manufactures, formulates and supplies animal feed and produce day-old broiler chicks for livestock farms. Established as a source of quality and expertise is accredited with ISO 2200/HACCP certifications.

Poultry

Certified by ISO 2200/HACCP, CIC Poultry processes and markets frozen and chilled chicken and related products from chicken reared at our own Poultry farms.

Vetcare

This highly specialised cluster imports and distributes high quality veterinary pharmaceuticals, feed additives that cater to the requirements of livestock farmers and a range of products for house hold pets.

Strategy and Performance

			2016/17 12 Months	2015/16 12 Months
Economic	Revenue	LKR Mn	6,902	7,058
	PBT	LKR Mn	199	265
	PAT	LKR Mn	133	206
	Total Asset	LKR Mn	6,918	7,388
	Total Debt	LKR Mn	3,866	4,734

Strategy and Performance

The Livestock solutions segment witnessed a decline in growth. Revenue declined by 2% and net profits declined by 35%, details of which is discussed in each cluster.

Feeds

The growth of the Feeds cluster was retarded during the 2nd half of the year due to fluctuating and non-conductive weather patterns during the year under review. This resulted in farmers curtailing their operations, while the adverse impact on agriculture caused price escalations and scarcity of raw materials such as maize, rice polish etc.,. Consequently, the turnover declined by 3% and net profits reduced by 10% compared to the previous year. With the expected improvement in weather patterns and precautionary procedures taken by our Poultry cluster, the coming year is expected to be more productive.

Poultry

The overall market conditions of the Poultry industry in the first half of the year were positive. The increase in demand created shortages in the market, which in turn increased the selling price of live chicken. However, prices of processed chicken which is subjected to price control remained static. The increased prices were negated by the increase in the price of Day old Chicks and sales taxes. Severe flooding impacted the processing factory in May

resulting in a shut-down of operations for nearly two months. With the rising cost of living and shrinking disposable income compounded by increased taxes such as VAT in the second half of the year, the demand enjoyed during the first half year reversed significantly resulting in lowering of prices and stock build up. Consequently revenue declined by 4%.

The damage from the floods net of the insurance claim received is estimated at Rs.27Mn, excluding losses from the non-operation of the factory. To overcome such situations and mitigate impact of future flooding, precautionary measures have been taken within and outside the processing plant at a cost of approximately Rs.41Mn.

With markets expected to stabilize in the coming year, Management remains optimistic of a turnaround in this business.

Vetcare

Despite the severe challenges faced by the Livestock industry, the Vetcare clusters' performance was commendable, contributing to the segments revenue by 10%. The cluster continues to introduce new and improved products to the market gaining visibility, recognition and trust for high quality vet care products, catering to the needs of a rapidly growing, highly specialised market which requires knowledge, specialised infrastructure and networks for success. During the year,

amongst other products, a new system of vaccination was introduced to CIC Feeds Hatchery which selects the fertile eggs at the age of 18 days just prior to the transfer to hatchers and vaccinates the egg automatically against one of the most common diseases Gumboro. The first of such machinery in Sri Lanka and South East Asia ensures a one-time vaccination against the disease eliminating the troublesome manual vaccination of birds.



“The Group’s Health & Personal Care sector caters to the needs of consumers’ health and well-being through a range of locally manufactured and imported products comprising of trusted brands made available island wide.”

▶ HEALTH & PERSONAL CARE

“Overall the Health & Personal Care Cluster recorded revenue growth of 32% strongly supported by the continued consumption boom that prevailed in the market.”

The Group's Health & Personal Care sector caters to the needs of consumers' health and well-being through a range of locally manufactured and imported products comprising of trusted brands made available island wide through a distribution network that is ranked amongst the top ten networks in the country. A unique blend of indigenous and globally reputed brands ensures that this sector remains relevant to changing consumer preferences and across many international market segments. This lucrative business segment comprises the following clusters

Brand Capital



- > Over 200 products including household names such as Samahan, Paspanguwa, Gotukola Tea and Link Sudantha which are sold both locally and in overseas markets.



- > Johnson and Johnson distributes a range of personal care products for globally reputed brands such as clean & clear listerine and stay free.

► HEALTH & PERSONAL CARE

About the Sector
Relevance to Group
25% of Revenue 24% of PBT 21% of Assets 28% of Liabilities
Sub-sectors
Baby Care Exclusive agent in the country for Johnson & Johnson.
Herbal Care Link Natural (Pvt) Ltd., has a range of ancient Ayurveda pharmaceuticals of over 200 products including names such as Samahan, Paspanguwa, Gotukola Tea and Link Sudantha.
Medical Devices Representing world renowned multinationals such as Johnson & Johnson Medical Devices, Baxter, Ortho Diagnostics, Smith & Nephew.
Personal Care Markets and distributes a range of globally reputed brands such as Clean & Clear, Listerine, Neutrogena and Stay Free.
Pharmaceuticals Represents researched based and branded products, manufactures own brands and generic products and imports analgesics, antiulcer drugs. From reputed manufactures.

Operating Context

The population of Sri Lanka is expected to increase by 20% from 18.85mn in 2000 to 22.58mn in 2022 and the percentage of the population over 65 years of age is estimated to jump from 9.4% in 2000 to 16% in 2020. This indicates the urgent need to invest in healthcare facilities and treatment. Sri Lanka's pharmaceutical industry has evolved in the recent past with consumption moving more towards lifestyle oriented products instead of the basics.

According to the 2016 Central Bank Report, the Factory Industry Production Index (FIPI) for pharmaceuticals, medicinal chemical and botanical products grew by 2.3% (2015 minus 0.4%) compared to 2015. The costs of healthcare included CCPI with a weightage of 3.1%, increased during the year indicating the rising costs of health care and its rising importance in Sri Lankan households.

Adverse weather conditions impacted the supply of medicinal plants and herbs. The exchange rate fluctuations, price controls and the increase in taxes also impacted the imports of the clusters.

Key challenges in 2016/17

- > Rupee depreciation and exchange rate fluctuations
- > Interest rates
- > Regulatory policies
- > Increase in taxes

Strategy and Performance

		2016/17 12 Months	2015/16 12 Months	
Economic	Revenue	LKR Mn	1,709,288	6,602
	PBT	LKR Mn	302	527
	PAT	LKR Mn	163	392
	Total Asset	LKR Mn	6,779	5,186
	Total Debt	LKR Mn	5,654	3,757

Strategy and Performance

Overall the Health & Personal Care Cluster recorded revenue growth of 31% strongly supported by the continued consumption boom that prevailed in the market.

Baby Care

The Baby Care cluster presents 8% of the total segment turnover and 2% of the total segments PBT. CIC becoming the sole agent for Johnson and Johnson product range on April 1st 2016 has contributed towards the growth in the cluster. During the year the Company regained market share by ensuring product availability and wide distribution to meet the customer demands.

Herbal Care

The Herbal Care cluster continued to be the largest contributor to the sector accounting for 32% of revenue. Its topline growth of 19% and the bottom line growth of 36% compared to previous year are commendable and are mainly due to the expansion of the product range and the increase in number of distributors which in turn assisted in penetration to the market. The commendable performance saw the modern trade growth by Samahan becoming a Rs.1bn brand and Link Sudantha brand and generic ayurvedic pharmaceutical products range also had a revenue growth.

The cluster was challenged with the increase in taxes and the exchange rates impacting the cost of packaging putting

pressure on margins. The adverse weather conditions impacted the supply of raw materials. The cluster also experienced an increase in competition. Efficient variable cost management and the management of suppliers of raw material by increasing the number of out-growers and entering into buy-back agreements assisted in the bottom line growth and also contributed towards the sustainability of communities.

Planned investments over the next two years include Rs.1 bn personal care factory and research and development facility and investing in extending out-grower schemes to facilitate the increase in demand.

Personal Care

CIC has maintained a business partnership with Johnson and Jonson for over four decades and the personal care cluster markets and distributes its world renown brands Clean & Clear, Listerine, Neutrogena and Stay Free. The increase in investments in advertising and promotions to gain market share has contributed to the growth and profitability.

Medical Devices

The Medical Devices cluster primarily provides surgical theatre equipment and blood screening equipment together with trained staff to operate the equipment, 24 hour troubleshooting support, advice on upgrade decisions, regular monitoring of capital equipment usage and audits on the accuracy. The cluster contributed 18% of the total segment turnover and 56% of the total segments net profits with revenue growth of 47% and net profit growth of 23% compared to previous year. Expansion of product range through the introduction of new and advanced products and negotiating with major companies to strengthen anesthesia and ortho range

has contributed to the topline growth. The introduction of more favourable product mixes has enabling increase in bottom line margins.

Recently Medical Devices has invested in education with the Association for the Study of Internal Fixation (AO), a Swiss based research and development organization, becoming the only institution in Sri Lanka authorized to conduct educational activities for Sri Lankan ortho and trauma, maxillofacial, thoracic surgeons in the country.

The cluster was challenged with the regulatory requirements for registration, the exchange rate fluctuations and working capital management. The efficient management of these has also contributed to the growth of the cluster.

Pharmaceuticals

This cluster comprises companies engaged in manufacturing, marketing and distribution of pharmaceuticals in Sri Lanka. The division represent 39% of the total segment turnover. With the re-structure of the Lifesciences division in 2015/16 from antibiotics to lifestyle product range, the Pharmaceuticals division continued its trends by recording a 39% growth in revenues (2015/16 - 16%) compared to previous year. One of the leading players in the market, with a state of the art manufacturing processes that are adherent to WHO GMP standards and GMP Standards stipulated by the local manufacturers and with its strong distribution network covering around 98% of the country's pharmacies this cluster is well positioned. To meet its increasing demands the division is optimistic at expanding its manufacturing capacities in the coming years.



“The Industrial Solutions sector imports, manufactures and package a range of chemicals and chemical products for the local and export markets and distributes writing instruments.”

▶ INDUSTRIAL SOLUTIONS

“The sector has market leadership in a number of clusters and has strong relationships and island wide distribution networks support the growth of this lucrative sector.”

The Industrial Solutions sector imports, manufactures and package a range of chemicals and chemical products for the local and export markets and distributes writing instruments. Representing globally renowned principals such as Akzo Nobel for whom the company manufactures paints under license, distributes automotive paints under Sikkens and Wanda brand and manufacture under license Duco auto and decorative paints by Paints & General entity. The sector has market leadership in a number of clusters and has strong relationships and island wide distribution networks support the growth of this lucrative sector. This sector comprises the following clusters:

About the Sector
Relevance to Group
12% of Revenue
44% of PBT
20% of Assets
11% of Liabilities
Sub-sectors
Construction Material
The market leader in decorative paints in Sri Lanka we manufacture and distribute specialty coating and related products under license from AkzoNobel which include Dulux and Sikkens brands for house and automotive coatings.
Industrial Raw Material
Comprising Chemanex PLC and CIC Holdings PLC Industrial Solutions division, this cluster trades imported and locally produced chemicals and industrial intermediates, and specialty chemicals, binders and adhesives for local manufacturers and export markets, raw materials for rubber industry, personal care, food, paint and printing inks.

Water Treatment
Comprises the operations of Nalco, the water treatment department of CIC , this cluster deals in specialty chemicals while diversifying into services & basic chemicals to become a One Stop Solution Provider, totally focusing on sustainable chemistry solutions.
Stationery
Manufacture, import and distribution of stationery items for offices and schools.
Packaging
Supplying to a B2B market, a pioneer in PET operations, Cisco Specialty Packaging focuses in manufacture of PET bottles and PET preforms, plastic containers and HDPE/PP containers and water bottles. The products are certified by ISO2200 and 9001 and under the annual license of CEA.

Operating Context

Industrial Solutions operations are categorised into the Industry sector of the Gross Domestic Production of Sri Lanka which contracted by 3.2% in 2016 compared to previous year. Sub-sectors Leather and related products and Basic metals witnessed strong growth while the Fabricated Metal Products and electricity related activities experienced negative growth.

The highest contributors to the sector the Food Sector (23.7%) and the Wearing Apparel sector (23.1%) witnessed declined in production by 3.2% and 2.4% respectively as publicized in the graph below. The Chemicals and chemical products sector (6.3%) which relates' to CIC also indicated contraction in growth of 12.4% compared to previous year significantly impacted by the lower fertilizer production as a result of adverse weather conditions. However, the output of paints and varnishes subsector saw growth, driven by higher demand from construction activities which contributed positively to the growth in the chemicals and chemical products subsector in 2016.

Key challenges in 2016/17

- > Adverse weather conditions impacting product demand
- > Exchange rate fluctuations and high interest rates
- > Decline in consumers disposable income

Strategy and Performance

			2016/17 12 Months	2015/16 12 Months
Economic	Revenue	LKR Mn	4,339	3,881
	PBT	LKR Mn	561	725
	PAT	LKR Mn	481	622
	Total Asset	LKR Mn	6,167	5,828
	Total Debt	LKR Mn	2,317	2,132

Strategy and Performance

During the year the Industrial Solution sector contributed 12% to the Groups' turnover. The sector's overall performance showed marginal growth in revenue of a decline in profits compared to previous year primarily impacted by the significant losses in the Stationery cluster. Industrial Raw Materials cluster was the key contributor to the performance of the Industrial Solutions sector.

Construction Materials

The Construction Material Cluster reported marginal growth in revenues and net profits compared to previous year. The growth in revenue was impacted by the increase in VAT and the severe weather conditions shrinking the consumers' purchasing power. The bottom line growth remains positive due to the stringent management of variable cost. The cluster remains confident with plans on introduction of new and wider product range to the market to suite changing lifestyles and by expanding distributor network.

Industrial Raw Materials

The Industrial Raw Material Cluster which markets over 100 products is one of the highest contributor's to the segments' revenue of XX% and net profits of xx%. Adding to its long standing relationships with manufacturers of global reputes such as KAO Japan, Sudarshan Chemical India, AcidChem Malaysia, BASF Germany, Coventry Chemical UK and a well-established customer base, the cluster signed up with a new agent to broaden its

product range and customer base which has contributed to the growth during the year. The cluster was challenged having to manage exchange rate fluctuations and administration and distribution costs which facilitated growth of the bottom line. Its prime property in Ratmalana facility remains with the cluster and is expected to be used for development or sold to improve asset utilization. The cluster is focused on increasing its capacities and market share and to improve operational efficiencies for optimum bottom line growth.

Water Treatment

The Water Treatment cluster partnering with NALCO the world market leaders in water, hygiene and energy technologies and services has positioned its self in Sri Lanka as the market leaders in the sector. The Cluster contributed 5% to the segment revenue and 4% to its profits. This is mainly due to the increase in market prices of chemicals and the significant market share holding. The cluster looks forward to another successful year ahead.

Packaging

The cluster was challenged by the reduction in sales of the agro chemical bottling products due to the significant reduction in cultivation and restrictions on chemical products. The exchange rate fluctuations impacted the cost of the products resulting in declining of margins impacting the bottom line of the business. However by introducing new products to the market and by entering into long term agreements with new clients the cluster maintained commendable growth rates and are confident of increasing its capacity in the coming year.



AGRISHINE

CROP SOLUTIONS

“The Crop Solutions sector imports, formulates and distributes a range of agro substances comprising weedicides, fungicides, pesticides, plant stimulants and fertilizer.”

► CROP SOLUTIONS

“CIC is the leading private sector player in the crop protection and fertilizer market and its implicit knowledge of the industry is a key competitive advantage together with its portfolio of agencies.”

The Crop Solutions sector imports, formulates and distributes a range of agro substances comprising weedicides, fungicides, pesticides, plant stimulants and fertilizer. One of the pioneers in the field, CIC is the leading private sector player in the crop protection and fertilizer market and its implicit knowledge of the industry is a key competitive advantage together with its portfolio of agencies with leading global chemical manufacturers such as Syngenta Inc., Switzerland and Dow Agro Sciences, USA, who provide access to the latest research and innovations in this field. The Crop Solutions sector comprises the following sub-sectors

Operating Context

Despite the relatively low contribution to GDP – 2016 negative 4.2%, the country’s agriculture sector is considered as a key sector in the economy as it provides employment and income to rural communities, food, raw materials and generate foreign exchange. It is the mainstay of the rural economy in Sri Lanka

absorbing nearly 27.1% of the total labour force in 2016 and utilizing 43% of the total land area of the country. The negative growth rate in 2016 was due to the adverse weather conditions in the country, the severe floods in the second quarter of 2016 and subsequently the worst drought in four decades effecting both seasons of cultivation and supporting activities.

CIC’s related activities were effected, a reduction of paddy production by 8.3% and fruit production by 6% compared to previous year. However the vegetable production increased marginally by 1.3% and the milk production also grew by 2.6%.

Agricultural export indices grew in value terms during 2016. However, when considering volume terms, agricultural exports recorded a contraction.

The outlook for this sector remains optimistic as it represents one third of populations’ income and encourages rural development, agriculture and food security.

Key challenges in 2016/17

- > Price controls
- > Exchange rate fluctuations
- > Adverse weather

About the Sector

Relevance to Group

32% of Revenue
50% of PBT
19% of Assets
30% of Liabilities

Sub-sectors

Crop Solutions & Lawn and Garden

Provides crop and pest control solutions for paddy and corn cultivators and fertilizer and pest control solutions for home gardens.

Plant Nutrition (Fertilizer)

Imports and blends fertilizer to meet the requirements of the countries agricultural sector.

Plant Protection (AgroChemicals)

CIC Crop Guard imports, formulates and markets agricultural crop pesticides, including non-residual pesticides, that work effectively against pests and disease affecting crops.

Seeds

This cluster develops, produces, tests and markets high yielding and pest resistant seed varieties which serve to enhance the country’s land productivity contributing directly to the nation’s food security.

Strategy and Performance

			2016/17 12 Months	2015/16 12 Months
Economic	Revenue	LKR Mn	11,195	6,693
	PBT	LKR Mn	640	514
	PAT	LKR Mn	518	449
	Total Asset	LKR Mn	1,106	1,644
	Total Debt	LKR Mn	6,173	8,142

Strategy and Performance

The Crop Solution sector delivered an optimistic performance even with many obstacles with revenue and profit growth of 67% and 15%. Key clusters contributing to the performance of this sector were as follows:

Crop Solutions and Lawn & Garden

Crop Solutions is the exclusive partner for Syngenta Inc., Switzerland; a total solution provider for cultivators when come to pest problems. The Lawn & Garden division is the number one supplier of registered pest control institutions in Sri Lanka. It also derives revenue from providing pest control management solutions, nutrition solutions to crop cultivators using new technologies and nutrition supplements of slow release fertilizer for home gardens in urban and rural areas with a product range offered by reputed overseas principals and a limited range manufactured locally by the group. The business is ISO 9000 and 14000 certified and during the year was accredited with OHSAS for its repacking and formulation facility.

Lawn and garden cluster contributes 3% to the segments turnover. The growth in revenue of 31% compared to previous year and net loss is mainly due to significant reduction in cultivation impacted by the adverse weather conditions. The company continues its efforts to provide new and improved products to the market and expect the market demand to rebound with improved weather conditions.

Plant Nutrition

Pioneers and market leaders in computerized fertilizer blending technology we are committed to introducing a balanced plant nutrition concept. Our services are extended in providing free advisory services to farmers on the correct and safe use of fertilizer. We are ISO 9000 and 14000 accredited for all blending facilities and our soil labs are accredited by the Sri Lanka Agrarian Accreditation Board.

A decline in turnover compared to previous year was mainly due to the significant reduction in cultivation due to the impact of adverse weather conditions. The increase restrictions in fertilizer usage have also impacted the bottom line of the cluster with having to write off banned stocks. The introduction of the non-quota fertilizer in March 2016 and the cash grants system to peasant farmers for selected crops and the liberalization of the fertilizer market represent a welcome change in policy direction facilitating innovation and farmer education on good agricultural practices. Competition has increased and players are motivated to provide new and better products and enhance its farmer capacity building programs.

Plant Protection

This cluster was impacted by adverse weather conditions that dampened the cultivations, by restrictions imposed by the government on pesticides and the exchange rates fluctuations and increase in VAT that could not be passed on to

the farmers. The years' turnover grew marginally contributing to the sector turnover and the net profits declined to a loss. Our initiatives of educating farmers on the use of technology in agriculture and the safe, effective use of pesticides continued to be a key aspect of the sector's operations which serves to maximize productivity and yields. Our research and development team introduced new products to the market to provide substitutes of the banned products and we are hopeful of introducing more products to the market in line with the government regulations. With the expectation of cultivation stabilizing, we are optimistic of better financial growth in the coming year.

Seeds

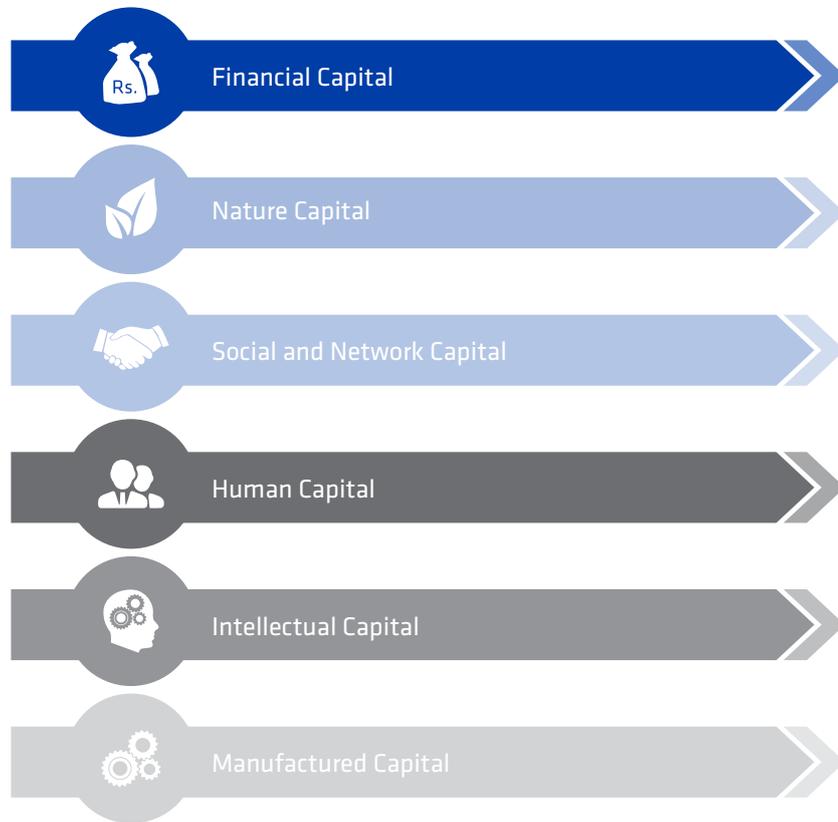
Market leaders in producing rice seed and corn seed with an estimated market share of around 35% is the exclusive distributors to Sakata Seeds Japan, Tokita Seeds Japan, Syngenta and Chia Tai who are leading innovators in the field. This cluster tests new products from these companies in controlled environments at farms to assess the adaptability of these seeds to Sri Lankan conditions prior to marketing the same. An out grower scheme is in operation to grow seeds and produce under CIC's supervision for the local market.

During the year the Seeds cluster contributed 10% to the segment's turnover while revenue grew by 12% compared to previous year. The Seed cluster was also impacted by the operating environment the sector was challenged with. With the anticipation of better operating environment in the coming year the business has continued its investments in capacity building to develop in house technology and recruitment of scientists to strengthen the research and development facilities with an intention of further developing the market.

▶ CAPITAL REPORTS

Managing Our Capitals

Our Capitals have been identified as follows and are further elaborated below:



Financial Capital

“With the stabilization of new projects, improvement in weather conditions and the expected stabilisation of government regulations and monetary policy, management is confident of gathering momentum in growth of this vital indicators of stakeholder value creation.”

CIC Group delivered turnover growth and gross profit growth during what proved to be a year of growth amidst an extremely challenging operating environment. At year end the Group recorded a turnover of Rs.35Bn reflecting a commendable increase of 31% over the previous year and a net profit after tax of Rs.841Mn which was a decrease of 48% compared to the previous year. Adverse weather conditions, increase in taxation and interest rates, the depreciation of the rupee and delays in commencement of new investment projects impacted the overall net profits of the Group which has been elaborated in the sector review and below.

Revenue Growth

The Group recorded a turnover of Rs.35Bn (2016: Rs.27Bn), a creditable growth of 31% compared to previous year. Crop Solutions and Health and Personal Care sectors continued to be the top contributors to the Group with revenue growth of 67% and 31% respectively. The sharp increase in crop solutions turnover is largely attributable to the commencement of commercial operations of the corn project in the 4th quarter and organic growth. Capacity expansion in these segments and

well-timed development of new products and capitalization of market conditions has contributed to the revenue growth of these sectors. (See segmental reporting for further details)

Gross Profit

The Group's Gross Profit Margin declined by approximately 1% compared to previous year to 23%. The decline was mainly due to the increase in cost of imported raw materials due the depreciation of rupee and the increase in taxes coupled with the selling price restrictions in sectors such as CIC Agri Produce and Livestock Solutions. The impact of the reduction in gross profit approximates Rs.348Mn to the bottom line of the Group.

The highest contributors to the Groups' gross profit are the Health and Personal Care and Crop Solutions sectors.

Operating Expenses

Overall the Group's operating expenses has increased by 26% compared to previous year. Operating expenses mainly include Distribution expenses and Administration expenses which has increased by 33% and 21% compared to previous year.

EBIT

Group Earnings Before Interest and Taxation increased by 6% compared to previous year ending at Rs.2,535Mn. Major contributors to Group net profit are Crop Solution Sector (42%), Health and Personal Care sector (28%) and the Livestock sector of 22%. The Agri Produce Sector continued its negative contribution trend recording a 5% negative contribution during the year. The contribution from the Industrial Solution Sector has significantly dropped to 14% compared to 36% in previous year mainly due to the write off of long outstanding outdated stock in the Stationery cluster. The Livestock Solution sectors' contribution was also impacted due to the losses from floods in the 1st quarter.

Finance Costs

Finance cost of the Group has doubled compared to previous year as detailed in Note 09 to the audited financial statements. The increase is mainly due to the significant increase in costs of short term loans and overdraft facilities which were re-priced to reflect the sharply rising interest rates discussed in the operating environment.

► CAPITAL REPORTS

Pre & Post Tax Profit

Even though the Group recorded a commendable growth in revenue of 31% compared to previous year, the Profit Before Tax (PBT) contracted by 39%. The significant decline in PBT is mainly due to the sharp increase in interest rates which resulted in a 124% increase in finance costs although borrowings increased only by 6%.

Profit After Tax (PAT) of the Group was recorded at Rs.882 Mn a decrease of 49% when compared to previous year. The effective tax rate increasing from 27% to 28% during the year has contributed to this.

Shareholders' Funds

Shareholder funds increased by 4% during the year to Rs.11.34 bn reflecting a moderation in the growth momentum gathered in the past two years. With the stabilization of new projects, improvement in weather conditions and the expected stabilisation of government regulations and monetary policy, management is confident of gathering momentum in growth of this vital indicator of shareholder value creation.

Dividends

The Board has recommended a final dividend of Rs.2 per share taking the total dividend per share to Rs.3/- for the

financial year under review. While it is a decrease of 25% over the previous year, the Board is of the view that the dividend declared ensures that there is sufficient capital retained within the Group for increasing sustainable shareholder value in the long term.

management of inventories during the year. However the interest paid during the year doubled compared to previous year and the long term borrowings less repayments amounts to Rs.144Mn. This together with net Investing activities of Rs.372Mn has resulted in an escalation of negative net cash flows. However the

Levels	2015	2016	2017
Interim Dividend (Rs.)	2.00	2.00	1.00
Final Dividend (Rs.)	1.00	2.00	2.00
Cumulative dividend (Rs.)	3.00	4.00	3.00

Capital Expenditure

The Group has continued to look for growth opportunities and investments to take advantage of market opportunities. The Rs. 1 Bn invested by the CIC Agri Produce sector in corn storage and drying facilities amounted for bulk of the group capex in 2015/16 serving as an example of the diversification and expansion activities undertaken to enhance long term shareholder value.

Cash flow

The Group's cash flow from operating activities increased by over 170% compared to previous year mainly due to better

net cash flow of negative Rs.733Mn for the year is a significant improvement when compared to previous years negative impact of Rs.4,362Mn.

The Groups' Current Ratio of 0.93 (2016: 0.90) and Quick Asset Ratio of 0.46 (2016: 0.40) improved during the year due to effective management of working capital. During the year the inventory on hand and the creditors have reduced by 9% and 36% respectively which has resulted in the marginal improvement of the liquidity of the Group.

Return to Shareholders

During the year under review, the Group return on capital employed (ROCE) remained at 11%.

Levels	2016	2017	% change
Market price per share - Rs.			
Voting	95.50	76.00	25.7%
Non-Voting	71.50	57.60	24.1%
Market capitalisation	8,525.66 Mn	6,800.11 Mn	25.4%
No. of shares in issue			
Voting	72,900,000	72,900,000	-
Non-Voting	21,870,000	21,870,000	-
Earnings per share Rs.	14.29	8.04	77.7%
Dividend per shareRs.	4.0	3.0	33.3%

Economic Performance

As a Group, CIC believes in sharing the value it generates across the widest possible cross section of its stakeholder community.

We make the utmost effort to generate economic benefits in the most sustainable manner possible, and we stay constantly aware of how our business operations impact the local economy.

The chart below depicts the economic value generated by CIC Group during the year under review.

Value Added Statement (Rs '000)	2016/17	2015/16
Revenues	34,875,611	26,666,284
Adjustment for -		
Other Income	348,928	548,473
Share of profit of equity accounted investees	334,728	362,478
Less: Cost of materials and services purchased	(28,937,475)	(21,650,964)
Total Value Added	6,613,121	5,926,271
Distributed as follows:		
To employees as remuneration	2,226,919	1,960,556
To the Government as taxes	1,041,625	849,984
To providers of capital		
as interest on loans	1,628,845	792,040
as minority interest	333,419	279,542
To shareholders as dividends	379,080	189,540

Value Added Statement (Rs '000)	2016/17	2015/16
Donations and community investments	2,321	3,204
Retained within the business		
as depreciation and impairment losses	835,165	686,653
as reserves	174,418	1,164,752

Significant financial assistance received from the Government

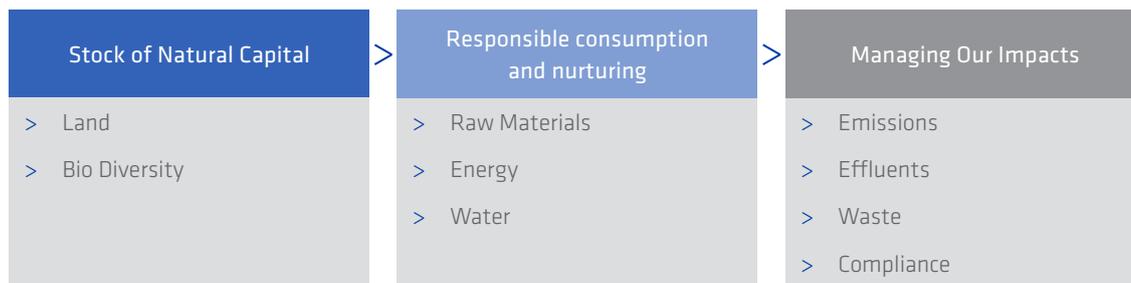
No reporting entity within the CIC Group has received financial assistance from the Government.

However for the CIC Feeds Group, though specific financial assistance has not been received, the policies of the Government for the industry have positively impacted the business. For example, restrictions imposed on importation of processed chicken and eggs helps safeguard the industry as cheap unsafe products are restricted from entering

the market, which also helps with preventing the potential infiltration of poultry diseases. The zero duty granted on importation of hatchery and poultry keeping equipment also encourages players in the industry to expand and upgrade operations which results in improving the overall stability of the industry.

Natural Capital

“CIC Group believes in the need of efficient use of energy and is committed to reducing consumption wherever possible and strives to optimize its energy usage and also uses renewable energy sources where possible.”



CIC Group recognizes the essential role played by the environment for its operations, including being the source for its raw materials and is aware of how it impacts the environment through outputs from its operations, and strives to minimize any negatives that occur, to as great an extent as possible.

A number of companies within the CIC Group have environmental management systems in place, certified to ISO14001:2004 standards. This includes Link Natural, CIC Holding's Emulsion Polymerization Plant and the Repacking and Formulation Center at Panagoda.

Raw Materials

The Group recognises that at times, environmental impacts can occur from the material stage of its production process and is mindful of the materials used.

Agri Produce	At Agri Businesses, hazardous materials are not used. Experienced and trained staff manages and pass on knowledge on best agricultural practices that has minimum impact to the environment.
Crop Solution	The fertilizer marketed by CIC Agri Businesses contains some ingredients that could be considered hazardous if not used according to the recommended usage guidelines, i.e. when over-used by end consumers. The Company engages in extensive awareness programs for its farmers in order to educate them on the judicious use of fertilizer and other inputs, in order to prevent this from occurring to as great an extent as possible.
Livestock	Livestock segment, hazardous materials are not used
Health Care	Link Natural uses dried herbs, fresh herbs, and different types of additives and the quality of all materials used for production are tested internally by the Quality Control Team. The quantities used are as per the batch formula.

Industrial Solution	<p>ChemaneX has always placed emphasis on building relationships between manufacturers and end users, facilitating a dialogue that could lead to a culture of continuous product improvement and development. This has resulted in ChemaneX becoming known as the pioneer of safe, lead-free pigments and innovative products what have no negative impact on the environment. Currently ChemaneX does not use any hazardous material for production and is continuously conducting experiments to reduce the raw material loss that occurs during the manufacturing process.</p> <p>CISCO uses PET Resin, HDPE and PP Resin in its production process and uses high tech machinery to ensure that wastage of materials is at the lowest possible level.</p> <p>At CIC's Emulsion Polymerization Plant in Panagoda, all material used in the production is determined by the predetermined formulation thereby eliminating material input waste.</p>
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of the stores complex. An energy audit is now in progress to review alternate sources of energy.

At the new Panagoda Emulsion Polymerization Plant, furnace oil and electricity are used for the production purposes, i.e., to run the Steam boiler and electrical drives, respectively. Petrol is used for the engine driven fire water pump and diesel is used for the Fork Lift used in the handling of finished goods and for the Standby Generator to deliver the electricity during the breakdown of the national grid. The Company is in the process of setting norms for energy utilization per metric ton at the new Panagoda works. In comparison to the Ratmalana Works (previous production facility) the energy utilization rates at Panagoda are very favorable due to the use of the higher capacity production unit and the new energy-economical design features. The usage of furnace oil and electricity are monthly monitored against the production tonnage as internal process efficiency measures.

The Repacking and Formulation Center Panagoda have installed a control security lighting system that adjusts as per day light intensity. They have also introduced LED lighting systems in the loading area of the finished goods store and tune machinery in a bid to conserve energy.

Link Natural's main energy sources are steam and electricity. Steam is generated by the steam boiler. Energy consumption from both sources increased slightly during the year due to increased production volumes. Diesel is used for the generator while petrol is used for internal transportation and LP gas is also used in small volume in production. As an energy conservation initiative, a new capacitor bank system was installed, and LED bulbs and inverter type AC units were introduced during the year.

At ChemaneX, an Energy Committee initiates all energy conservation measures.

Use of recycled input materials

Companies within the CIC Group strive to use recycled input materials in the production process wherever possible.

At ChemaneX, recycled waste is reused for manufacturing in-house products such as Corrugel and Acamyl PG products. 12,823kg of recycled production waste were reused for manufacturing by ChemaneX for 2016/17 up to December 2016. At CIC Feeds 25% of the chicken processing waste is recycled and reused as a raw material in Feed manufacturing. About 10% of input material used in the production process of CISCO is recycled material.

Energy

CIC Group believes in the need of efficient use of energy and is committed to reducing consumption wherever possible and strives to optimize its energy usage and also uses renewable energy sources where possible.

The Head Office of CIC Holdings is in the process of gradually implementing recommendations made through an energy audit that was done in late 2013. Accordingly all bulbs at the CIC Head office were converted to LED bulbs during the latter part of 2016 which has

brought in considerable energy savings. Further the process replacing old central air conditioning units with inverter type units have commenced. Head Office also monitors electricity consumption on a daily basis, in order to reduce usage. Measures are taken to control the power consumption through the daily check lists for lighting shutdown times, carried out with the help of the security personnel and maintenance departments. CIC also installed temperature controllers in each floor to maintain temperature at 25 Celsius, which helps to cut down the extra energy demand for central air conditioning.

At the Ekala pharmaceutical stores, due to the nature of operations and the importance of storage conditions for pharmaceuticals products, air conditioners are operational at all times. However these are maintained at 24° C which is considered an energy efficient temperature setting for air conditioner units. In addition, employees are briefed daily on the importance of conserving energy in other areas of operation, and on the importance of minimal wastage of resources. Energy efficient lighting has also been installed to reduce electricity consumption. However the new warehouse when commissioned is expected increase the energy consumption

► CAPITAL REPORTS

The Committee meets monthly or as and when the need arises. Reports of the Energy Committee are discussed at the Management Committee meetings and monthly Factory Meetings, where energy consumption is in fact a key discussion point. Chemanex also aims to reduce energy consumption by switching off lights and fans during lunch time, using transparent roofing sheets which bring in natural light, and using low power consuming lamps in the factory premises. The consumption of both diesel and electricity reduced at Chemanex this year compared to last, due to reduced levels of operation within the subsidiaries, due to energy saving initiatives put into place.

In addition to the usage of electricity as well as petrol, diesel, and furnace oil, CIC

Agri Businesses uses paddy husks, which is a waste material of its production process, as a source of fuel in its boilers at the Dairy facility. However within the reporting period, the husk boiler was not operating at full efficiency resulting in the need to use the furnace oil boiler more frequently. This is reflected in the figures presented below where furnace oil usage has increased to 39,600 liters this year compared to 20,734 liters last year.

CIC Feeds uses petrol, diesel, furnace oil, and LP Gas to meet its energy demand. However the Group is now operating according to the recommendations made through an energy audit conducted earlier in order to reduce energy consumption at all locations of operation.

Due to its 24-hour operation CISCO is a heavy consumer of energy, and has taken steps to minimize this by replacing old machines with new energy saving machinery during the year. The Company also replaced a small compressor with a high efficiency compressor in a bid to increase energy efficiency. In addition, the amount of diesel used by CISCO this year has significantly decreased in comparison to the last year, due to a lower number of power cuts within the year resulting in less frequent usage of the generator.

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

Energy Consumption in in significant cluster

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Petrol use (liters)	161	2,964	50,667	5020	46554	950
Diesel use (liters)	10,070	6,200	242321	175990	9536	15,000
Furnace oil used (liters)	81,000	0	39,600	461471	-	-
Electricity consumption (kWh)	1,322,638	1,038,749	7,839,938	9,192,154	205651	8,266,180
Energy consumption (Gj)	8538.4	4082.5	41019.7	59344.4	2729.5	30371.8

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

Water Consumption and Discharge

CIC being a predominant player in the agriculture industry is well aware of the need to optimize its consumption of water. Responsible water consumption is our utmost priority particularly in the Agri Business sector, and an indicator used when measuring the viability of any crop in our farms is 'output per liter of water'.

CIC Holdings has taken measures to control the water consumption through a check list of meter readings on a daily basis. All wash room water in the head office building is sourced from ground water through a tube well.

At the Ekala stores, water is sourced through the Municipal Water Supply and is

used only for the day to day basic needs of employees. Used water is disposed of back to the Municipal Water Discharge System. No recycling process is currently available.

At Panagoda (Emulsion Polymerization Plant), 80% of the water is used for the Polymerization process as an ingredient for formulations. The balance is used for plant washing and general usage such as bathing and drinking purposes. The water is sourced from the city water supply and is used with care. Whilst the quantity of water needed for the Polymerization process are established as a formulation requirement and cannot be changed, water needed for plant washing has been minimized by using extra-high power water pumps. The quantity of water used by

staff for drinking and in the washrooms has come down (from what is was in Ratmalana) as the new plant has been designed to run with a lesser number of workers.

At the Repacking and Formulation Center Panagoda, water is sourced from the Municipality and waste water is treated at the water treatment plant and is reused for gardening and wash rooms.

At Link Natural, over 90% of the water requirement is met with well water, while the balance is pipe borne water. All wastewater and liquid waste generated through the production process are treated at an effluent treatment plant, and is reused for gardening purposes.

Consumption of water at Link Natural has increased during the year due to increased production volumes.

Chemanax uses the Municipal water delivery system. At present, the Company does not require large quantities of water for day to day operations.

At Agri Businesses, water is primarily used in the farms for cultivation, and ground water is the primary source. Fluctuations

in water usage depend mainly on rainfall during each Yala and Maha cycle. Approximately 2% of treated waste water at the Dairy Plant is reused for gardening.

At CIC Feeds, all farms and plants use a combination of pipe borne water and water sourced through tube wells and dug wells for their normal course of operations. All waste water from the processing plant is treated and reused for gardening.

CISCO uses purified Municipal water for daily drinking purposes. 40% of the total water consumption used for machines, is totally reused through the chiller system. Hence, no waste water from the operations is released into the environment.

Year	Description	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanax	CISCO
2016	Volume of water withdrawn for use (m3)	18,723	26,294	11,230,953	125,877	4,113	7,020
	Percentage of water recycled or reused (%)	0.2%	57%	2.0%	7.0%	0	10%
2017	Volume of water withdrawn for use (m3)	15,797	26,876	11,410,267	144,760	4534	9,134
	Percentage of water recycled or reused (%)	1.0%	57%	3.0%	7.0%	0	40%

Biodiversity

The policy of the CIC Group is to ensure that biodiversity in any habitat interacted with by our operations, is protected and nourished.

Maintaining the delicate balance of Sri Lanka's biodiversity is of utmost concern to us, and we strive to ensure that this is not affected by our operations and we take stringent measures to ensure that this is not affected by our operations. 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.

The Panagoda Repacking and Formulation Center is also taking steps to improve the biodiversity around the factory premises by increasing tree coverage through a tree planting program.

In order to support a national biodiversity initiative, CIC Holdings has been funding a study on the Sloth Bear in Wilpattu for the past few years. This study is conducted by Biodiversity Education and Research (BEAR) in partnership with Biodiversity Sri Lanka. The 2nd phase of the study has just

been completed and a 3rd phase is under consideration. The project is implemented under the supervision of the Department of Wildlife Conservation (DWC)

Most CIC Group companies do not own or have any interests in properties within or adjacent to areas of sensitivity in terms of biodiversity. However, the Hingurakgoda Farm of CIC Agri Businesses is a haven for the resident spotted deer population of Sri Lanka.

Emissions

CIC Group is mindful of how its operations result in emissions, and every effort is made to reduce their negative effects and following are some of the initiative: These efforts have been described in more detail under the Energy and Transport sections of this report

> At the Emulsion Polymerisation Plant and the CIC Repacking and Formulation Center at Panagoda, emissions are captured, addressed and monitored under the ISO 14001:2004 certified system and the Company Safety, Health, and Environment policy.

> At the Repacking and Formulation Center, an exhaust system is used to reduce the odor of chemicals inside the premises, and chemical vapor is sent through absorption beds in the exhaust system before being released into the environment. In addition as per the Central Environmental Authority requirements, all emissions are tested by environmental sampling independently done by ITI and NERD or the CEA.

> At CIC Feeds, a green belt is maintained around the boundaries of the farms, which minimizes the emission of dust to the environment. Dust trap systems and specially designed water curtains are also in place to absorb dust, thereby further minimizing air pollution.

> In addition, all relevant Group companies ensure that boilers are maintained at optimal conditions in order to minimize flue gas emissions.

Effluents and Solid Waste

In addition to air emissions, CIC is also mindful and aware the liquid and solid

▶ CAPITAL REPORTS

substances that are emitted into the environment as a result of its operations, in the form of effluents and waste.

Efforts are taken by the Group to reduce these as much as possible, and to make improvements in the quality and quantity of these substances that are discharged into the environment.

- > At the Panagoda Emulsion Polymerization Plant, waste water is collected in pits and delivered to the waste water treatment unit of the National Water Supply and Drainage Board. As all untreated water is delivered to the central system through this process, there is no sludge remaining at the premises. The Plant also plans to use the reactor wash water as part of its process water, once its overall operations have been further fine-tuned.
- > At the Panagoda Repacking and Formulation Center, water is not used for production, but rather for the washing of equipment after each formulation round is complete. As the water used for washing equipment is exposed to toxic materials, waste water is sent to Insee Ecocycle (formally Holcim GeoCycle) for safe disposal. The Center recognizes that even water used for bathing by workers could contain minute particles of hazardous material, and therefore this water is treated onsite and then reused for gardening or for flushing purposes.
- > Johnson & Johnson too recognizes that since many of its products are washed off and eventually feed into broader water bodies, it is important to understand how its products interact with these environments. The Company on a global scale therefore uses a tool 'GAIA' - Global Aquatic Ingredient Assessment™, to score each ingredient against three criteria: how long the ingredient remains in the

water, how the ingredient may build up over time, and how, if at all, this ingredient could affect aquatic life.

- > At Link Natural too, liquid waste is treated at the waste water treatment plant, and treated water is re-used for gardening. Sludge generated through this process is used by the Company for fertilizer.

Total Weight of Waste by Type and Disposal Methods

Within the Group, hazardous waste is generated by the Panagoda Emulsion Polymerization Plant, Panagoda Repacking Center, Crop Solutions, as well as the Healthcare division and Johnson and Johnson in the form of damaged or expired products. All forms of hazardous waste generated by these business units are disposed as per the rules and regulations. Hazardous waste is sent to Insee Ecocycle (formally Holcim Geocycle) for thermal destruction.

The amount of hazardous waste generated by CIC Holdings has increased significantly to 22,403kg this year compared to 4,110kg last year. This is due to the relocation of operations from Ratmalana to Panagoda. Previously, at Ratmalana, hazardous waste (which constituted of solid resin particulate matter mixed with plant wash water), was directly pumped to the central industrial waste water system in the local area. However at the new Panagoda site, no such piping system is available. Therefore, wash water is taken away by bowsers for treatment, while the solid resin particulate matter is collected separately for safe disposal by Insee Ecocycle.

Crop Solutions is in the process of introducing an environmentally friendly empty agrochemical containers disposal procedure along with the CEA and the Agrochemical Industry Association. The Company is facilitating the collection of

empty agrochemical containers from the field through this initiative, which are then handed over to manufacturers of small electrical items, where they are recycled and reused as an input material.

The majority of waste generated at Link Natural is herbal materials. This is used either for fueling the boiler, is composted, or else sent to landfill due to its organic and biodegradable nature. At CIC Agri Businesses too, paddy husks which are a waste product are used as an energy source to fuel boilers instead of using furnace oil or diesel, while straw, cow dung, as well as husk waste from the maize operations are used to make compost fertilizer.

CIC Feeds also takes considerable measures to responsibly deal with the waste it generates. 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 which is another form of organic waste, is sold as agriculture 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.

At Chemanex, recycled production waste is reused for manufacturing in house products such as Corrugel and Acamyl PG products, which inevitably reduces the usage of additional raw materials.

Waste Generated by Type during the year

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	ChemaneX	CISCO
Hazardous waste (kg)	22,403	-	-	-	-	-
Non-hazardous waste (kg)	25,869	162,157	1,619,000	4,428,570	25,995	3,600

Total Number and Volume of Significant Spills

During the year one incident occurred at the present site of a reactor overflow. However, the material was collected into the planned catchment pits without causing any pollution to the soil or water. There have been no other significant spills during the reporting period by any of the companies within the CIC Group.

Products and Services

While CIC Group is committed to supplying the highest quality products to its customers, the Company is also aware of the fact that some of these products may impact the environment in a negative manner. CIC strives to source raw materials and products from reputed suppliers, where extensive research is done to ensure that minimal damage is caused to humans and the environment, through the use of their products.

Extent of impact mitigation of environmental impacts of products and services

Both CIC Holdings and CIC Agri Businesses produce and market fertilizer and crop protection chemicals, which if not properly used, pose a potential risk to the environment. In the recent years, this has become an issue of controversy affecting the entire agricultural inputs industry, particularly in the North Central province of Sri Lanka. In order to combat this, CIC takes steps to educate the farming community on the proper application and disposal of these products. CIC also ensures that products are only sourced from world renowned suppliers, where products are

highly researched into, to ensure minimal negative impact to people and the planet. However despite frequent training and awareness raising activities, overuse of agricultural inputs by farmers remains a principal challenge faced by the industry as a whole.

Crop Solutions has made significant commitments to combat the issue of negative environmental impacts arising from the use of their products. The Company previously set a goal for 30% of its turnover to be earned from bio based products by 2018. However the Company is still working towards achieving this goal and has thus amended this to a goal of 30% of turnover to be earned from bio based products by 2020. One such product has already successfully been developed and launched by Crop Solutions. The product in question, 'BASCA', is a para-pheromone made using plant extracts in order to control the population of fruit and melon flies which affect crops.

At the Panagoda Emulation Polymerization Plant, all formulations are routinely investigated to assess whether they contain any materials that may pose a potential adverse impact on the environment.

On a global level, Johnson & Johnson has set a goal where by 2020, all new products under the Johnson's brand must be Earthwards® recognized, meaning that they will meet higher science-based environmental standards across at least three of seven categories: materials, packaging, energy, water, waste, innovation, and social impacts.

ChemaneX has always placed emphasis on constantly building relationships between manufacturers and users, ensuring a dialogue which could lead to a culture of continuous product improvement and development. This has led to ChemaneX becoming known in Sri Lanka as the pioneers of safe, lead-free pigments and innovative products which have minimal negative impact on the environment. CIC Feeds meanwhile, takes steps to minimize the environmental impacts of its product packaging by ensuring that the packaging used for feed and for DOCs is recyclable.

CISCO which provides PET bottles to the market, recognizes the negative environmental impacts associated with this activity. New legislation has been proposed to ban the use of plastic packaging material in specified areas, which poses a significant challenge to the Company. Whilst as a Group we agree that action needs to be taken to mitigate the impact of plastic packaging on the environment, we believe that a practical and sustainable solution needs to be found, that would not have an adverse economic and social impact on our country. To this end, CISCO has been undertaking research into the introducing biodegradable resin and master batches into its production. At CISCO, 10% of rejects are also reused as input material within the production process.

Transport

CIC recognizes that a large component of its environmental footprint arises during the transportation and circulation of its products. As a Group, CIC works to minimize the negative environmental

► CAPITAL REPORTS

effects of transportation and logistics, by pre-planning routes and using new more environmentally friendly and fuel efficient vehicles for its transportation requirements.

CIC ensures that 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. The Group makes all possible attempts to minimize vehicle movement by combining a number of tasks to each route or vehicle, so that unnecessary movements within the same route will be avoided or minimized to as great an extent as possible.

Any outsourced transportation service providers are also checked on a regular basis 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

Companies across the CIC Group ensure that all products and raw materials sourced are from reputed suppliers, where extensive research has been done on their safety and efficacy. Particularly being in the crop protection and industrial chemicals and inputs industry, CIC recognizes that it is of the utmost importance that our products have minimal negative impacts on the environment and on consumer safety.

Registering a new crop protection chemical in Sri Lanka requires the Company to submit a number of reports to the Registrar of Pesticides, one of which is an independent environmental assessment and impact report issued by the United States Environmental Protection Agency.

A large percentage of CIC Agri Businesses' fertilizer suppliers are based overseas, and thus the Company has minimal control over their activities. However, high quality suppliers are selected in general, and most other products sourced by the company are from local household farmers where environmental impacts are minimal.

At the Panagoda Emulation Polymerization Plant of CIC, all suppliers' product literature is extensively studied to ensure that these products are safe to the environment.

Suppliers of Link Natural are kept informed of the practices they should follow, and their compliance is assessed accordingly during supplier visits.

At CIC Feeds and Chemanex there is currently no procedure for undertaking audits or assessments of the environmental standards and practices of suppliers. However both companies ensure to only work with reputed suppliers where such standards are maintained.

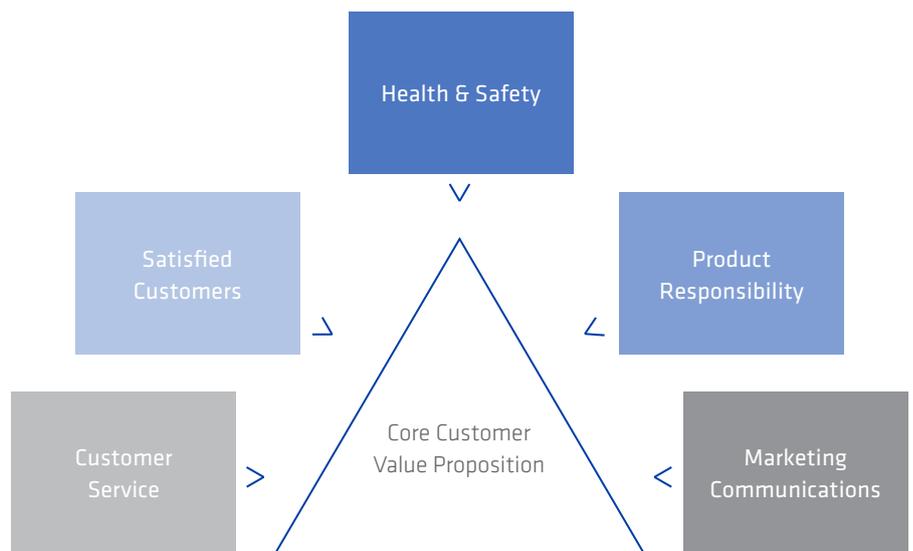
Social & Network Capital

“All products imported and marketed in Sri Lanka by the Group meet the highest local and international consumer and safety standards”

Creating Value for Our Customers

CIC Groups' diverse customers ranging from farmers in rural areas to B2B customers of local and export markets and consumers of high-end niche markets are a fundamental strength. Every customer is important and we strongly stand by our mission not to compromise on the standards of our products and services and delivering sustainable value to customers is the common thread that connects all our businesses enabling our growth.

While acknowledging that different customer segments have varying needs, our core customer values are identified as follows:



Customer Health & Safety

Being a diverse company that deals with consumer goods, pharmaceuticals, and agriculture and food related products the customer health and safety is a fundamental priority. All products manufactured and marketed by the Group have been through stringent health and safety testing and have been developed into the final products. Additional steps are also taken to ensure customer health and safety through the use of the Company's products.

Crop Solutions frequently educates its customers on the safe use of its products.

The Company is also taking strategic decisions to move towards marketing more bio based products.

Stringent measures are taken by the Healthcare division of CIC to ensure customer health and safety by pharmaceuticals that have less than 75% of shelf life remaining not being imported and by also recalling pharmaceuticals 3 months prior to their expiry dates.

All products imported and marketed in Sri Lanka by the Group meet the highest local and international consumer health and safety standards. Johnson and Johnson's on a

global level works to set the standards in the industry, and its "Best for Baby Standards" goes beyond government-required safety standards. Every Johnson and Johnson's product is developed based on feedback from key groups of medical professionals including Pediatricians, Pediatric Dermatologists, Nurses, and Midwives.

A test sample is drawn from each batch for all products manufactured by CIC Agri Businesses. The Company must comply with the standards for its products set out by the Sri Lanka Standards Institute, ISO, National Fertilizer Secretariat, and the Agriculture Department.

► CAPITAL REPORTS

At CIC Feeds all products and services satisfy the requirements of Government bodies and local authorities such as the Department of Animal Production and Health, SLSI, BOI, CEA, Industrial Technology Institute, etc.

PET bottles manufactured by CISCO undergo stringent testing to ensure that all products released to the market are of food and beverage packaging grade. Quality certificates and food grade certificates are obtained for every shipment to ensure the desired quality is delivered to the customer.

Other relevant certifications have also been obtained by the various entities within the Group when required. For example all pharmaceuticals and devices imported by the Healthcare Division should have a product registration certificate from the NMRA, while companies operating in the food and beverage sector under CIC Agri Businesses and CIC Feed hold ISO22000:2005 and HACCP food safety management system certifications. HACCP certification is also held by Link Natural.

Disposal of products considering customer health and safety

Any crop protection chemicals not sold within 2 years of manufacture are recalled and disposed of by the Company in a safe manner. Farmers have also been educated on the safe disposal of fertilizer and crop protection chemical products, actual methods of disposal by consumers of our products across the Group have not been assessed thus far.

Labeling

A continuous monitoring mechanism is in place to ensure responsible product labeling by indicating as much information on its products and services as possible ensuring all statutory requirements are strictly adhered to.

Additionally CIC believes in providing its customers, whether dealers or end consumers, with as much information on its products and services as possible, in line with statutory requirements. This is of particular importance due to the nature of CIC's businesses, especially where products related to agriculture, pharmaceuticals, food, or chemicals are concerned.

- > The Healthcare Division is required to provide certain product information, including details on manufacturers as well as information on safe usage of products including how to use products, dosage, etc.
- > Products marketed by Johnson and Johnson must also include ingredients, application and usage information, origin country, manufacture information, and warnings and care information on product labeling.
- > Johnson & Johnson products developed and commercialized through our Pharmaceutical and Medical Devices businesses meet all applicable laws regarding package inserts, which contain appropriate information for health care professionals and patients. For over-the-counter pharmaceutical products, packaging and inserts are likewise used to communicate with consumers. Consumer products include clear, easy-to-read instructions and information on how to use our products appropriately. Ingredients are listed for all products; however, we do not include sourcing information of components. Directions for proper disposal are also included where necessary.
- > At CIC Crop Solutions, customers including farmers, dealers as well as Government officials, are frequently educated on the safe use of our products. Precautionary information

aligned with Government regulations is included on product labels and labels are continually updated in line with changing regulations.

- > All products marketed by Link Natural also carry the necessary information to the benefit of the consumer while complying with the prevailing regulations. The company also highlights its credentials and quality parameters through its product labeling.
- > For CIC Agri Businesses, product information on fertilizer should be made available as per the National Fertilizer Secretariat regulations, and SLS and ISO requirements. In addition, as per the Consumer Affairs regulations, SLS, and ISO, rice, yoghurt, and eggs sold by the company must also carry specific information through their product labeling.

Customer Satisfaction

CIC Group has established systems for measuring the satisfaction levels of their customers and is implemented on a regular basis. In addition to the specific channels or engagement with customers that is in place to ascertain their levels of satisfaction, companies within the Group also maintain open channels through which customers could provide their feedback as and when desired.

Methodology	Company/ Division	Frequency of measuring customer satisfaction	Customer feedback and actions taken
Interviews, questionnaires Regular visits by product managers regular audits conducted by cu	CIC Holdings – Industrial Chemicals	Annually Regular basis	The necessity to improve the colour of some of the paint binders produced. As a result, root cause analysis was undertaken and corrections were made so that the colour produced would be within the accepted parameters.
Survey questionnaires Customer interviews	CIC Holdings – Crop Solutions	Biannually	Portable pack sizes for products, and concessional rates for products especially during the seasons, have been identified as the needs of most customers. Organizing customer awareness programs during the offseason has also been highlighted as beneficial.
Face to face interviews	CIC Holdings – Healthcare Division	For Medical Devices – monthly, and upon the introduction of new products. For pharmaceuticals – monthly.	Customer satisfaction is obtained for all product categories. In general, feedback has been positive.
Visits to customer shops Telephone and by direct mail	CIC Holdings - Consumer Division	Daily, via sales reps	The company immediately attends to any problems that may be raised.
Usage and attitude surveys, through independent research agencies Mom helpline, telephone, social media, focus group discussions	Johnson & Johnson	Quarterly On a regular basis	Examples of feedback received include top of mind awareness, consumer behaviour patterns, and feedback on specific products. The company also takes steps to make consumers aware of its products and their features and benefits.
Qualitative research on usage and attitudes, validated by quantitative research if relevant Telephone calls, email, and correspondence	Link Natural	Quarterly Regular basis	The Company conducted direct consumer contact research, while needs scope research was also done.
Customer visits by Product Managers E-mails, letters, telephone calls, and visits	ChemaneX	Monthly Regular basis	We continue to be recognized for 100% vendor compliance and as a most preferred supplier by our international buyers. All customer complaints are properly recorded and promptly attended to
Monthly visits by marketing and field staff One on one meetings, email, and telephone	CIC Agri Businesses	Monthly Regular basis	Formal complaints regarding any product are dealt with by either the production team or the marketing team as appropriate

► CAPITAL REPORTS

Methodology	Company/ Division	Frequency of measuring customer satisfaction	Customer feedback and actions taken
Dealer and customer visits are made once a month by our field force We have a dedicated 24 hour customer care hotline in place	CIC Feeds	Monthly Continuous	Our field force regularly visits customers and feedback on customer satisfaction is received on a continuous basis
Telephone calls, visits, surveys By email.	CISCO	Monthly / annually	Quality and delivery

Marketing Communications

CIC Group do not market or sell any products that are banned, or that are disputed.

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

The biggest challenge the agriculture industry faces today is the overuse of certain agricultural inputs by the farming community, which by now has resulted in a situation where ground water, rivers, and reservoirs have become contaminated.

At CIC, we continue to believe that education and awareness is key to overcoming this problem and has systems in place to educate the farming community on scientific crop management and on the judicious use of our products on an ongoing basis. In addition, the products we market consist of raw materials that are sourced from the best manufacturers, are widely researched, and have minimal negative impacts on humans and the environment.

The Group's entities have varying regulations in this regard based on the nature of their products.

Pharmaceuticals marketed by the Healthcare Division of CIC Holdings for example 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. J&J must also obtain prior approval from the Media Ministry for telecasting foreign television commercials. In addition, J&J follows its own International Policy for Healthcare Business Integrity and Compliance Management, and all work is done according to its Code of Business Conduct and the Company Credo.

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.

All regulatory restrictions related to marketing communications are strictly followed across the CIC Group.

Product and Service Related Compliance

The CIC Group ensures that all products and services offered, satisfy the requirements of all relevant Government organizations

and local authorities, including the Sri Lanka Standards Institute, Board of Investment, Central Environmental Authority, Industrial Technology Institute. Companies within the Group have also obtained all necessary certifications related to their products or services.

All pharmaceuticals and devices imported by the Healthcare Division of CIC Holdings should have a product registration certificate from the NMRA, while the products of Link Natural are registered at the Department of Ayurveda. Link Natural also holds GMP and HACCP certification, and certain products have relevant product specific certifications such as SLS for Link Sudantha toothpaste.

For J&J, SLSI certification is compulsory for baby soaps, powders, and colognes. Companies operating in the food and beverage sector under CIC Agri Businesses and CIC Feeds hold ISO22000:2005 and HACCP food safety management system certifications.

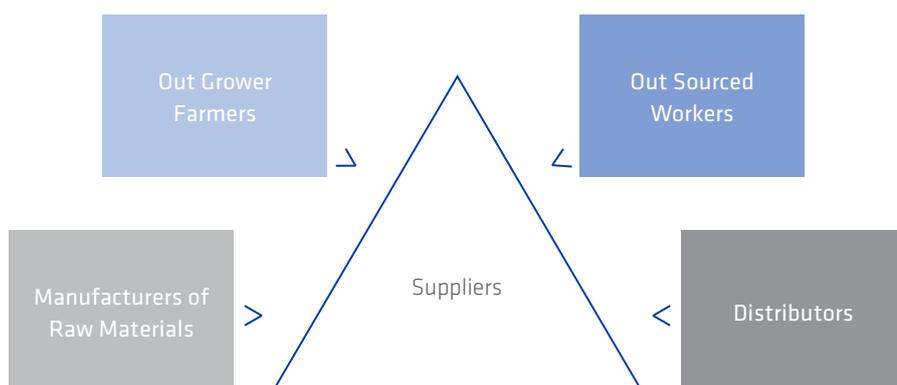
At CIC Crop Solutions, some brands are sold only based on Government requests. Good Laboratory Practices certification is also undergone for new product registrations.

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.

Additionally, no entity faced any monetary fines or non-monetary sanctions for non-compliance with laws and regulations in general during the period under review.

Creating Value for Suppliers

Our suppliers are utmost importance to the smooth functioning of our businesses and are identified as follows:



The supply chain consists of manufacturers of raw material, finished goods and packing material and labour suppliers that provide outsourced workers for certain manufacturing operations. Once the goods are ready for sale, transport suppliers provide transportation facilities to wholesaler, distributor warehouses and to retail supermarket and shops. Labour suppliers provide some outsourced labour for product promotion activities.

Procurement Practices

Our policy is to source the highest quality materials, ingredients, and other supplies necessary for operations whilst giving preference to local suppliers wherever possible. In some instances due to the nature of operations, the company is compelled to import items from reputed and reliable international suppliers in 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

At CIC Holdings a large proportion of spending is on foreign suppliers as most businesses we are in, are agency businesses, where goods are imported and sold in the local market. Even in our industrial chemicals business and stationery business where a manufacturing process is run, the raw materials are imported, giving rise to a high proportion of spending on foreign suppliers.

At Link Natural, quality, supplier reliability, and on time delivery are considered important factors when choosing a supplier. The Company sources material from local herbal cultivators, collectors and also works with out-grower farmers.

At Chemanex the general practice of the company is to procure goods and services to meet our requirements and standards at the lowest available price.

Procurement from local suppliers is given preference at the CIC Agri Businesses Group, based on product availability, quality, price, as well as the track record of the supplier. Currently within the Group, approximately 18% of procurement is local in the case of Fertilizer, approximately 40% in the case of Seed, and local procurement ranges from 85 - 100% in the cases of FMCG products such as rice, yogurt, curd, etc. At an overall level, local procurement at CIC Agri Businesses increased to 58% this year compared to 15% last year, due to the increase in purchase of milk.

If the required standards can be met priority is given for local raw material supplier and service provides At the CIC Feeds Group. The raw material requirement for chicken production including feeds, DOCs, and vaccines are sourced from within the CIC Feeds. Approximately 70% of raw materials used for animal feed production are locally sourced. Group Corn, rice polish, and wheat midds are the main ingredients that are commercially available in the local market. In the case of capital investments relating to specialized jobs were technology plays an important part, the Company will select the best solution available in the market. The reliability and credibility of the supplier, as well as trustworthiness, cost, transportation cost, quality, environmental and social performance, technical soundness, and financial stability are the main factors considered when selecting a supplier for CIC Feeds Group.

Local Procurement

	CIC	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Proportion of spending on locally based suppliers (%)	28%	57%	63%	60 - 65%	42%	20%

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Creating Value for Communities

The CIC Group counts local communities as a key stakeholder, particularly for CIC Agri Businesses and Link Natural where out-grower networks are in place. Through these networks, the company reaches and engages with a large number of small scale farmers, thus uplifting their living standards and contributing towards their economic and social development. Out-growers are typically family units, where both men and women are involved. CIC Agri Businesses and Link Natural engage with

out-grower farmers on a constant basis, which ensures 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.

The success of our business is heavily dependent upon our communities and

we strongly believe in giving back to our society and the community. Whilst investing in varied community need projects, the Group gives preference to investing in education as it believes that education and knowledge will help raise the standards of living of rural communities, in which we predominantly operate. Some of these initiatives are described below. : Thus far, formal impact assessments have not been conducted in relation to the community development activities conducted by the Group's companies.

How we Create Value to our Community

Developing Livelihoods

- > Employment Opportunities
- > Local Sourcing
- > Out Grower Program

- > Johnson and Johnson carries out programs to raise awareness and promote education amongst pregnant mothers on health and development for themselves and their babies. They also support educational sessions for expectant mothers at the De Soysa Maternity Hospital, Kethumathi Maternity Hospital, as well as the Castle Street Hospital for Women on a weekly and monthly basis. The Company also invests in mothers and mothers-to-be by producing and telecasting a popular television talk show, which addresses most issues in pre and post pregnancy and baby care with the involvement of relevant healthcare professionals.
- > The Consumer business supported the Kuliypitiya Swarna Pradeep school by painting the class rooms, supplying sports goods and donating electronic items such as computers

Humanitarian and Cultural Activities

- > Healthcare
- > Education
- > Sponsorships of cultural events

- > and multimedia projectors to the school. In addition on a weekly basis a leadership program is conducted and Rs.10,000 worth of stationery gift packs are distributed.
- > The Repacking and Formulation Center too assists the community by donating to local schools' and youth club activities
- > CIC Feeds has invested in human capital during the past year through providing scholarships for students.
- > Since 2011, Chemanex has been involved in a long term program which aims to uplift the standards of education in the Mahiyanganaya area. Improving the standards of English language education in the Sangabodhi Vidyalaya of that area is one aspect of the program. The Chemanex Trust Fund also continues to support

Environment Sustainability

- > Biodiversity
- > Eco Systems

- > students and staff in secondary and tertiary education, while the Company also continues to provide commercial training for undergraduates from a multitude of local universities.
- > "Ugathamana", the student competency development project of Link Natural, continued throughout this year, with its aim of developing the educational standards in the Dompe area. This covers training programs for students, motivational programs for teachers, seminars and workshops, training programs for teachers and prefects, conducting extra classes for O/L's and A/L's and skills development programs.

Human Capital

“Our employees are considered to be the most important asset.”

CIC Group has a truly diverse team comprising 2,249 employees who are located throughout the country. As the Group evolved to its current structure, companies within the Group had a high degree of autonomy over various aspects of its functions including human resource management. However, the value proposition is broadly similar across the Group and has the following common features.

Our Team Profile

Our employees are considered to be our most important asset, and the contribution of each employee determines the success of the Group as a whole. All employment abides by nationally established institutional and legal frameworks, and all statutorily required contributions towards provident funds are made on behalf of our staff. We strictly adhere to all labour laws of Sri Lanka including the Shop and

Office Employees' Act, Factories Ordinance and Gratuity Act. The Group ensures that a safe, healthy, and decent working environment is provided for all categories of employees without any discrimination. CIC enters into clearly defined employment relationships with all staff, with the exception of outsourced staff who are instead directly employed by our third party labour contractors.



► CAPITAL REPORTS

Though they are not direct employees of CIC, the Group maintains the utmost level of concern for the wellbeing of its outsourced workers. As such, if any issues with regards to the conditions of their employment are brought to the attention of the Group, CIC will take immediate steps to take these issues up with the labour contractors in question.

Recruitment and remuneration

Equivalent opportunity, human rights and codes of conduct are upheld at CIC and are in place at all locations creating a conducive work environment. Whilst we are an equal opportunity employer, local hiring is encouraged across the CIC Group. Positions of technical, professional and including

senior managers are hired from the local community by considering their skills, competencies, capabilities, knowledge and experience. Close proximity to the location is considered as an added advantage. Out-sourced labour is contracted through reputed labour supplying companies. We also encourage internal promotions in order to provide a career path for talented and capable employees. Gender equality is of most importance to us. However the Groups business is such that in most instances the job description is not suitable for a female worker and evidently the hires of male category is much greater.

Indicators related to new employee hires and employee turnover is presented below. Labour turnover across the Group can be

considered an indication of the employee satisfaction prevailing at CIC.

We are committed to paying our employees a fair and reasonable wage above the industry minimum, with no wage disparities made based on gender. Every effort is taken to ensure that employees are paid over and above what is defined by law.

The ratio of basic salary and remuneration of women and men at all locations of operation is strictly maintained at 1:1.

Percentage by which entry level wage exceeds national minimum wages, by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Approximate Ratios (%)	76%	76%	40%	40%	15 - 20%	15 - 20%	8 - 15%	8 - 15%	66%	66%	0	N/A

Percentage by which entry level wage exceeds national minimum wages, by gender

CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
M	F	M	F	M	F	M	F	M	F	M	F
80%	80%	40%	40%	15.20%	15.20%	8-15%	8-15%	66%	66%	15%	15%

New Hires by Region

New Hires by Age Group

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	75	15.1%	148	24.8%	116	17.5%	31	14.8%	8	7.1%	2	6.5%
30 - 49 years	61	12.2%	35	5.9%	69	10.4%	13	6.2%	4	3.6%	0	0
50 years and above	6	1.2%	10	1.7%	6	0.9%	0	0	1	0.9%	0	0

New Hires by Region

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	20	4%	19	3.2%	65	9.8%	-	-	-	-	-	-
Eastern Province	4	0.8%	5	0.8%	1	0.2%	-	-	-	-	-	-
North Central Province	4	0.8%	8	1.3%	20	3%	-	-	-	-	-	-
Northern Province	6	1.2%	16	2.7%	2	0.3%	-	-	-	-	-	-
North Western Province	11	2.2%	10	1.7%	3	0.5%	-	-	-	-	-	-
Sabaragamuwa Province	5	1%	18	3%	2	0.3%	-	-	-	-	-	-
Southern Province	13	2.6%	21	3.5%	3	0.5%	-	-	-	-	-	-
Uva Province	7	1.4%	8	1.3%	7	1.1%	-	-	-	-	-	-
Western Province	72	14.5%	88	14.8%	88	13.3%	44	20.9%	13	11.6%	2	6.5%

Employee Turnover by Gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Turnover (No.)	100	8	92	37	86	18	32	9	13	5	12	0
Turnover Rate (%)	20%	1.7%	15.4%	6.2%	13%	2.8%	15.2%	4.3%	11.6%	4.5%	38.7%	0
Total Turnover Rate (%)	21.7%		21.6%		15.8%		19.5%		16.1%		38.7%	

Employee Turnover by Age Group

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	41	8.2%	92	15.4%	51	7.7%	26	12.4%	7	6.3%	12	38.7%
30 - 49 years	52	10.5%	33	5.5%	47	7.1%	13	6.2%	10	8.9%	0	0
50 years and above	15	3%	4	0.7%	5	0.8	2	0.9%	1	0.9%	0	0

Employee Turnover by Region

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	9	1.8%	8	1.3%	27	4.1%	-	-	-	-	-	-
Eastern Province	4	0.8%	4	0.7%	1	0.2%	-	-	-	-	-	-
North Central Province	3	0.6%	4	0.7%	22	3.3%	-	-	-	-	-	-
Northern Province	3	0.6%	14	2.3%	0	0	-	-	-	-	-	-
North Western Province	3	0.6%	5	0.8%	3	0.5%	-	-	-	-	-	-
Sabaragamuwa Province	1	0.2%	9	1.5%	1	0.2%	-	-	-	-	-	-
Southern Province	5	1%	15	2.5%	3	0.5%	-	-	-	-	-	-
Uva Province	1	0.2%	2	0.35	5	0.8%	-	-	-	-	-	-
Western Province	79	15.9%	68	11.4%	41	6.2%	41	19.5%	18	16.1%	12	38.7%

► CAPITAL REPORTS

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). 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.

Provision for retirement benefit obligation is computed from the first year of service for all employees. However 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)	2016/17	2015/16
EPF/MSPS (12%)	42.05	47.88
ETF (3%)	10.48	12.05
Gratuity	38.81	37.88

Retirement Benefit Obligations	2016/17	2015/16
Opening Balance	206.18	209.38
Acquisitions from Subsidiary	-	-
Provision for the Year	(11.61)	21.87
Benefits paid by the Plan	(28.68)	(25.07)
Closing Balance	165.89	206.18

Group

Expenses (Rs '000)	2016/17	2015/16
EPF/MSPS (12%)	152.47	134.56
ETF (3%)	38.52	24.05
Gratuity	113.52	106.46

Retirement Benefit Obligations	2016/17	2015/16
Opening Balance	603.82	565.93
Acquisitions from Subsidiary	-	-
Provision for the Year	39.66	113.63
Benefits paid by the Plan	(53.20)	(75.74)
Closing Balance	590.28	603.82

Employee Relations

Currently there are no formal channel in place within the CIC Group whereby employees could voice their grievances with regards to labour practices. However, an open door culture is in place across the Group, and any employee can access any other member of staff or management, in order to voice any concerns they may have. Additionally, non-management staff of CIC Holdings PLC are unionized and are covered by a collective agreement which seeks to protect their labour related interests. Of the total employees within the CIC Group, approximately 4% are covered by collective bargaining agreements

Diversity and Equal Opportunity

At CIC Group, equal opportunities are provided for all employees and prospective employees, regardless of gender, age, race, religion, sexual orientation, political belief, or any other characteristic, and the Group strives to cultivate a diverse workforce. Additionally, employees of CIC are not discriminated against for any reason while on the job, and their success within the Group is solely based on their individual capabilities and performance.

The current employee diversity within the CIC Group is presented below. Though the CIC Holdings Board does not currently include any female representation, females are present on the Boards of CIC Feeds, CISCO, as well as a number of 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		Chemanex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Board of Directors (%)	100	0	100	0	100	0	90	10%	100	0	6	1
Senior Management (%)	89	11	66	34	99	1	91.7	8.3	100	0	7	-

Breakdown of Employees by Gender												
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Gender Diversity (%)	88.1	11.9	73	27	84.6	15.4	88.1	11.9	80.4	19.5	93.5	6.5

Breakdown of Employees by Age Group												
	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Under 30 years (%)	33	49%	44.9%	29%	18	58						
30 - 49 years (%)	59	43%	48.6%	61.4%	57	42						
50 years and above (%)	8	8%	6.5%	9.6%	25	0						

Equal Remuneration for Women and Men

While women's participation rates do vary by industry within the Group, we strive to ensure an equal platform for all employees regardless of gender or any other characteristic. A number of subsidiaries within the Group have Boards that consist of female representation.

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

Non-discrimination

CIC takes pride in respecting its workforce equally, regardless of gender, age, race, religion, sexual orientation, political beliefs, or any other factor, and equal opportunities in the workplace is a key characteristic of life at CIC.

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

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

There is currently no formal channel in place within the CIC Group for voicing such incidents if they do occur. However, the Group operates an open door policy where any employee can access and voice their concerns to any member of the Management. Additionally, issues can be raised through 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. Non-management employees of CIC Holdings are covered by a collective agreement, though employees recruited under the Management category are automatically excluded due to the unions themselves being created solely for Non-Management grades.

At Link Natural, two internal unions are in place, namely the Link Natural Products Employees Association, and Link Natural Services and Production Employees Association. Neither of these

are influenced by or affiliated with any external trade unions. Both unions support collective and participatory decision making and action, employee engagement, and a healthy corporate culture.

While unions are not present within the other subsidiary companies of the Group, employees of these companies are free 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 which is facilitated by the Group's open door policy.

Child Labour and Forced or Compulsory Labour

CIC maintains a strict policy regarding children in the workforce, and ensures that child labour does not and will not occur within any of its operations. The Group conforms to the labour laws of Sri Lanka, and as such, does not employ any person under the age of 18 years. There have been no incidents of child labour reported within the Group to date.

CIC is equally stringent when it comes to ensuring that forced or compulsory labour does not occur, and neither is tolerated within the Group. The Group as a policy neither retains any original documents

► CAPITAL REPORTS

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. No incidents of forced or compulsory labour have been reported within the CIC Group to date.

Supplier Human Rights Assessment

CIC recognizes that though child labour is not present within its own operations, this could still be a potential area of risk within its supply chain. This could particularly be the case for CIC Agri Businesses and Link Natural who work closely with farming families through their out-grower networks.

CIC also recognizes the inherent nature of small holder farming, which tends to be a family activity where all members of a family might participate. The Group therefore acknowledges that 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. While this 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.

Labour Practices Grievance Mechanisms

No formal channels are currently in place within the Group whereby employees can voice their grievances with regards to labour practices. However there are a multitude of informal channels in place which serve to address this. An open door culture is in place across the Group, and any employee can access any other member of staff or Management, in order to voice any concerns they might have. The non-management staff of CIC Holdings are also unionized and are covered by a collective agreement which seeks to protect their interests related to labour practices.

There have been no grievances related to labour practices filed at any of the companies within the Group within the reporting period.

Employee Development

CIC recognizes the fundamental importance of training, education and development for the wellbeing and progress of its employees and each entity is committed to providing timely and relevant training for their respective employees.

Across the Group, a combination of training programs are conducted depending on the nature of each individual's job role, as well as based on individual needs. Training needs are identified through the annual appraisal systems, and customized specialist programs are conducted accordingly.

During the year, employees of the Group have benefited from a variety of training sessions ranging from customer service aspects, technical aspects, health, safety, and environmental aspects, accounting systems, sales and marketing related aspects, and training on specific standards and certification schemes. Soft skills and other personal development training programs are also carried out, including motivational training, team building, and attitude improvement training programs.

Average hours of training by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemnex		CISCO	
	M	F	M	F	M	F	M	F	M	F	M	F
Total Hours of Training	1205.25	199.75	845.5	632	1178	76	1062	0	805	56	0	0
Average Hours of Training	2.75	3.25	2	4	2.25	0.75	5.75	0	9	2.5	0	0

Average hours of training by employee category

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemnex	CISCO
Executive Board Members	0	0	0	18	0	0
Divisional Directors	5.75	0	3.25	N/A	0	0
Group Heads/ General Managers	9.5	0	0	8.25	24	0
Senior Managers/ Managers	8.25	1.5	6.25	7	25.5	0
Junior Managers/ Senior Executives	7.75	13.25	0.5	11.5	98.5	0
Executives/ Junior Executives	1.5	4.25	1.5	5.25	4	0
Non-Executives	0	1.25	1.75	3.25	3.5	0

Performance and career development reviews

At CIC, employee progress and development is fostered through regular performance and career development reviews. The further development of all employees across the Company is of fundamental importance. Gender does not play any role when undertaking performance reviews within the Group.

Across the Group, companies conduct annual performance and career development appraisals for all employees. Each individual is afforded the opportunity to assess themselves against the previous year's appraisal, self-assess their strengths and weaknesses, and they also have the opportunity to discuss their future training requirements and concerns if any.

All salary increments and bonuses are awarded based on employees' achievement of objectives stated through appraisals. The reward system of the Company is therefore directly connected to the appraisal system, driving employees to achieve their stated objectives.

Through this process, the Company is also able to identify top performers and likely candidates for development to higher levels of management.

100% of male and female permanent staff of all Companies covered by the boundary of this report received formal performance reviews within the reporting year.

Employee Health & Safety

At CIC, health and safety in general and occupational health and safety in particular, are considered to be a key priority. Across the Group, senior level staff members are appointed to be responsible for managing this aspect within their respective businesses.

Annual fire drills are conducted across the Group with the participation of all staff, while staff working in factories, repacking

centers and similar such operations are also exposed to annual first aid training. In operations that could be considered to be potentially hazardous, staff are trained on the health and safety aspects related to their jobs at the time of recruitment, and are further trained on a regular basis thereafter. To further ensure the health and wellbeing of its workforce, the Company has contracted a specific medical center where all staff are entitled to avail themselves of health checks on an annual basis.

Companies within the Group also take further specific measures to ensure the health and safety of all those working on their premises. At the Repacking and Formulation Centre of CIC Holdings, OHSAS certification has been obtained for the health and safety management of the operation.

At Link Natural, alongside the practical measures taken to improve safety standards, a concerted effort is made to increase employee awareness and help them understand their responsibilities regarding health and safety. Link Natural's aim is to transform employee mindsets in such a manner that they concern themselves not only with their own personal safety but also with that of their colleagues.

A Safety, Health, and Environment policy is in place at Chemanex. In addition to making all the necessary safety equipment available on site, Chemanex also ensures awareness of safety aspects through safety instruction boards that are displayed around the working premises for the benefit of its staff.

At CIC Agri Businesses, all health and safety aspects are adhered to according to OHSAS, ISO, and SLS certifications and procedures, all of which are internally audited on a quarterly basis and externally audited on an annual basis. Employees are made aware of what safety measures they must take through regular education done

during both internal and external audits, in addition to the safety signage and written instructions provided.

At CIC Feeds, all necessary uniforms, safety shoes, and helmets have been provided for lab and factory staff in order to protect them from injuries or occupational diseases. Training on the proper use of safety equipment is also given to all employees, including through orientation programs for new recruits and on the job training for existing staff.

At CISCO too, health and safety are a key aspect communicated through orientation programs for new recruits.

No major accidents or injuries were reported by the companies included in the boundary of this report during the year under review.

▶ CAPITAL REPORTS

Employee Engagement



Intellectual Capital

“CIC stands for quality, responsibility and social awareness in everything we do.”

Safeguarding of our intellectual capital is a multifaceted recipe of sound corporate governance and corporate values which establishes our strategic vision and related processes. Our wide spread intellectual capital can be summarized as below:

Brands	<ul style="list-style-type: none">> Refer Sector Reviews for details
Innovation Capability	<ul style="list-style-type: none">> Constant product enhancement and new developments> Use of drome systems to fertilize harvests> Diverse product range with many years of experience
Tacit Knowledge & Processes	<ul style="list-style-type: none">> Research and development teams in the Group> Certified processes that conform to global standards

Innovation

CIC Group with its diverse product portfolio and world renowned business partners are well poised to enhance product portfolio and for new product development to suite the lifestyle changes. During the year the following were the highlights.

<ul style="list-style-type: none">> Considerable investment in research and development
<ul style="list-style-type: none">> Introduction of healthy rice varieties to the market
<ul style="list-style-type: none">> Substantial number of products tested for new product development
<ul style="list-style-type: none">> Drone sytem for fertilizing harvest

Tacit Knowledge & Processes

Established in 1964, a self-aware conglomerate we at CIC have a matures knowledge base, advance technology and research labs and years of built relationships with business partners such as suppliers, farmers and customers that gives us a competitive edge. Our philosophy of touching lives of every citizen from rural farmers to upscale markets through our vast range of products and services, CIC stands for quality, responsibility and social awareness in everything we do.

► CAPITAL REPORTS

Manufactured Capital

“We prudently manage our manufactured capital.”

We prudently manage our manufactured capital, including farm land, equipment and buildings, available to produce and distribute our products.

At cost (Rs.mn)	Gross Carrying Value	Net Carrying Value
	31.03.2017	31.03.2017
Lease Land	233	196
Freehold Land	3,289	3,289
Buildings	5,758	4,665
Plant and Machinery	4,956	3,330
Furniture and Fittings & Office Equipment	1,805	885
Others	1,036	281
Total Value of Depreciable Assets	17,077	12,646
Work in Progress	301	301

“Our sustainability practices are segmented along the lines of taking care of our employees, fostering trade within the community, and protecting the environment.”

Managing Director's Message

At CIC we operate our businesses, responsibly managing their impact on the economy, society and environment, and take pride in the fact that sustainability has always been at the heart of our business. For us sustainability is not limited to our current community investment and responsible business practices. We focus on our Research & Development (R&D) practices in order to be futuristic and ensure our business is ready to take on the challenges the future has to offer.

This year's Sustainability Report is G4 compliant.

With a Turnover of Rs.34.88 Bn and profits of Rs.886.92 Mn the Group carried out its business operations with a deep sense of responsibility.

Our sustainability practices are segmented along the lines of taking care of our employees, fostering trade within the community, and protecting the environment.

Our Employees

We manage a workforce of approximately 3,000 employees who depend on CIC for their livelihood and personal growth. CIC considers employees to be its most important asset, and ensures that a safe, healthy, and decent working environment is provided for them. The Company also invests heavily in their knowledge enhancement and career development.

Fostering trade with the Community

As a company that has been involved in agriculture for over 50 years and being the only company that manages its supply chain from 'Seed to shelf', CIC believes that we need to invest in the people engaged in agriculture by way of knowledge sharing and education. Therefore, we invest a lot of time and resources into uplifting the status of the farmer in society. The future of agriculture in this country and the continuity of this trade by future generations lies in the hands of our farmers.

We work with over 25,000 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 a win - win 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 meet 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 350 farmers who are engaged in cultivating 120 acres of herbal plants.

Our corn drying project aimed at supplying the local feed industry with facilities located at Thalawa and Siyambalanduwa commenced operations last year. This business segment provides 10,000 out-grower farmers with a livelihood with good economic returns.

Our Environment

All Companies in the Group are committed towards safeguarding the environment and most manufacturing facilities in the group are ISO 14001 certified.

A decision was taken a few years ago, to shift the Emulsion Polymerization Plant belonging to CIC Holdings from Ratmalana to Panagoda as the area surrounding the Plant was rapidly becoming residential. During the year under review the entire operation was shifted from Ratmalana to Panagoda.

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 restoring the status

▶ IMPACT REPORT

of farming as a respectable and noble profession.

The 'CIC Shooru Govi Peramuna' operating under 'CIC Manussakama' encompasses 80 young agricultural entrepreneurs. The members of the CIC Shooru Govi Peramuna are given the privilege of participating in comprehensive training programs on contemporary agricultural technologies of the 21st century, thereby increasing the level of knowledge of farmers on the latest farming methods.

Another facet of the multi-dimensional CIC Manussakama concentrates on developing the mindset of our future generations on the importance of education and following their passion. Every year, 75 high achievers of the Year 5 scholarship programme are given CIC scholarships. 'Danuma Danaya', targets the students sitting for the Advanced Level examinations and drives the importance of higher education and skills development. Under this programme over 30 Advanced Levels seminars are conducted in farming areas. These seminars are arranged to both instill the pride of local culture in the students and develop their passion.

During the year CIC Seeds commenced the provision of 'pipe-borne' water facilities to 5 schools in the Bibile, Mahinyanganaya, Monaragala and Galenbindunuwewa areas. Nearly 2,000 students benefited from this project that was conducted under the CIC Manussakama banner.

At CIC Holdings, Johnson and Johnson continues to conduct educational sessions for pregnant mothers at the De Soysa Maternity Hospital, Kethumathi Maternity Hospital and Castle Street Hospital for Women on a regular basis.

At Link Natural community investment initiatives are focused on the three areas of, Education, Healthcare and Rural Economic Development, while Chemanex has taken a long term mantle of improving the standard of English education in the Sangabodhi Vidyalaya situated in Mahiyanganaya.

The Dulux Child Protection Trust Fund (DCPTF) was launched in 2001 by Akzo Nobel Paints Lanka (Pvt) Limited to aid the prevention of child abuse. The DCPTF 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.

Our futuristic vision through R&D

CIC continues to work towards achieving food security in the country as there is a decrease in the interest of cultivating land for agriculture. Our seeds business is focused on high yielding paddy and vegetable seeds that enable farmers to get a higher yield per acre of land. This supports them to optimize the use of dwindling agriculture land.

As part of our commitment to see Sri Lanka in the "food secure" list, we have invested heavily in the dairy sector as well. Whilst managing dairy farms located in Mutuwella, Siddhapura and Hingurakgoda we also work with approximately 2,600 out-grower farmers in the North and East. Our milk processing facility in Dambulla continues to produce approximately 180,000 cups of Yoghurt a day.

During the year CIC proudly announced our latest innovation, the use of agriculture drones for Precision Agriculture Practices – Smart Farming. This technology helps to scan fields and distribute agro chemicals and fertilizer with the minimum human involvement and wastage. This is done by using drones and GPS technology.

CIC also embarked on a Joint Venture to produce high-value vegetables for the export market by using complex state-of-the-art greenhouses. This technology is expected to deliver many advantages over traditional methods of agriculture. Located at Walpita in the Gampaha District, the initial product range will include bell peppers, cherry tomatoes, and iceberg lettuce.

A new state-of-the-art warehouse is being built at Ekala for the Healthcare and Consumer businesses and is expected to be functional by end March 2017.

CIC under its premier rice range 'Golden Crop', introduced a healthy Rice Range with 8 variants comprising of a Basmathi rice range and a traditional rice range. These rice varieties have a low Glycaemic Index (Low GI) and offer the consumers who have non communicable diseases like diabetes, high blood pressure and heart conditions, a healthy rice option.

Challenges we face

The introduction of new regulations and the tightening of existing regulation posed many challenges to the business.

The Company continues to face the effects of stringent regulatory compliance on the sale of fertilizer and crop protection chemicals. CIC believes that the problem of overuse of Fertilizer and crop protection chemicals by farmers, should be managed by educating the farmer on the prudent use of these chemicals and not by banning the products or imposing rigorous regulation. The danger of too rigorous a regulation process, is that world renowned chemical manufacturers move away from supplying goods to the country, and lesser known companies with less researched products enter the market. Input chemicals judiciously used, greatly enhances the productivity of commercial agriculture – its yield and financial return.

At CIC we are committed to educating farmers, on scientific crop management and the prudent use of agriculture inputs. We also guarantee that our products are sourced from renowned and quality conscious international manufacturers. These manufacturers supply products that have been extensively researched and have the lowest negative effect on people and the environment. These suppliers continuously develop their products so that they are more effective and less toxic.

The proposed new legislation to ban the use of plastic packaging material in specified areas is another challenge to the business. As both a manufacturer of plastic bottles and a user of plastic packaging in many of our diverse businesses, we are concerned about this new legislation.

Whilst agreeing that action needs to be taken to mitigate the impact of plastic packaging on the environment, we believe that a practical and sustainable solution needs to be found, that would not have an adverse economic and social impact on our country.

The enacted regulations to control prices of 48 medicinal drugs in October 2016 posed a concern to us a major player in the pharmaceutical industry. We along with other players in the industry were concerned that innovator/originator brand drug companies would cease to supply medicines subjected to price control. Another concern was the suitability of the formula adopted for a country like ours, which relies on imports and does not have a substantial manufacturing base.

While we do not oppose regulations to control prices of medicinal drugs, as it ensures affordability of good quality medicines to the masses we believe that legitimate industry concerns should be addressed before any action or implementation takes place.

In the coming years, the Group will continue to invest in the focused industry sectors of Agri Produce, Livestock Solutions, Health & Personal Care, Industrial Solutions and Crop Solutions.

Way Forward

The year under review saw CIC launch its new corporate logo, the “Starburst” symbol which depicts both the convergence of CIC’s various business entities towards one common purpose, which is “Nurturing Life”, and the divergent positive impact of these businesses in their respective sectors. The new corporate logo is expected to embrace and unify the wide and varied businesses of the group in to one powerful entity.



S.P.S. Ranatunga

Managing Director/CEO

► IMPACT REPORT

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 of No.7 of 2007 on 21st November 2007. 'CIC House' is the headquarters of the Company, located at 199 Kew Road, Colombo 2.

The products and services offered, markets catered to and customers served by key entities of the Company are presented below:

CIC Holdings	Link Natural	ChemaneX	CIC Agri Group	CIC Feeds Group	CISCO
<p>The Crop Solutions business markets brands such as Solito and Virtako. The pharmaceutical brands marketed by the Healthcare Division include Sita, Betaserc, Orslim and Duphaston, while 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. Writing instruments are marketed under the recognized 'Platignum' and 'Cial' brands, while Johnson's Baby is the flagship personal care product. Industrial inputs offered include Ecolab water treatment products. All products are marketed island-wide in Sri Lanka</p>	<p>Link Natural Products manufacture and market over 250 products under four different product categories. Namely Ayurveda Pharmaceuticals, Herbal Healthcare products, Herbal Personal Care products and essential oils. Striking examples of innovative products of Link Natural Products' are Link Samahan, Link Sudantha, Link Kesha, Enriched Paspanguwa, Five herbs, Gotukola tea, Hair Care Cool and Link Natural Swastha Thriphala. The company's products are exported to many countries including, USA, Japan, UAE, Europe, Russia and India.</p>	<p>The brands marketed by ChemaneX Group include Stop Brake Oil and NexoBleech. Products include specialty chemicals and additives, break oil, bleaching agents, yarn sizing chemicals. The Group's export markets are in Europe, the Middle East, Africa, Asia, Australia and New Zealand. Customers are industries and business entities (B2B Category)</p>	<p>The brands under CIC Agri Businesses are CIC Pohora, CIC Seeds, Golden Crop, Juiceez, and Creamo., whilst the main products the Group deals with are fertilizer, seeds, rice, maize, milk based products and fruits and vegetables. The Company also offers advisory services. Our products and services are mainly sold in Sri Lanka, but we do export to countries such as USA, Canada, Australia, Singapore, Maldives and the Middle East. The chief beneficiaries of these products and services are the farmers, plantations and retail consumers.</p>	<p>The Feeds group brands include CIC Feeds, CIC Day Old Chicks and CIC Chicken. The Group are agents for international brands in the veterinary health sector. The products the Group deals with are animal feed, day old chicks, chicken, veterinary medicine, vaccines etc. Advisory services offered are in the area of animal health. Operations of the company are all within Sri Lanka and cater to small and medium scale livestock farmers, retail outlets, supermarkets, hotels, veterinarians, and pet owners</p>	<p>CISCO operates solely within Sri Lanka and manufactures PET bottles/ preforms and bottle caps. Customers are industries (B2B category) and are all locally based.</p>

Due to the area surrounding the Emulsion Polymerization Plant belonging to CIC Holdings in Ratmalana becoming residential, a decision was taken to shift the Plant to Panagoda a few years ago. During the year under review the entire operation was shifted from Ratmalana to Panagoda.

A new state-of-the-art warehouse is being built at Ekala for the Healthcare and Consumer businesses and is expected to be functional by end March 2017.

At Chemanex during the period under consideration, 2 new local trading divisions were formed namely "Plastic and Rubber" division and a "Paint Accessories" division. The purpose of the Plastic and Rubber division is to market Rubber accelerators, while the purpose of the Paint Accessories division is to market water sand paper, paint brushes and paint rollers.

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 09 within the CIC Agri Businesses Group, and 04 within the CIC Feeds Group. Net sales/ net revenues for the year were Rs. 34.88 Bn. The Number of employees across the Group stood at 2249 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 - CIC Holdings, Link Natural, CIC Agri Businesses, CIC Feeds, Chemanex, and CISCO.

Total Employees by Employment Type and Contract

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Full-time employees	498	596	661	210	112	31
Part-time employees	0	0	0	0	0	0
Outsourced employees	248	152	0	410	14	129
Total	746	748	661	620	126	160
Permanent employees	468	573	521	201	92	31
Fixed term/ contract employees	30	23	140	9	20	0
Outsourced employees	248	152	0	410	14	129
Total	746	748	661	620	126	160

Total Employees by Region

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Central Province	64	80	229	-	-	-
Eastern Province	21	18	2	-	-	-
North Central Province	31	23	87	-	-	-
Northern Province	23	28	4	-	-	-
North Western Province	26	54	55	-	-	-
Sabaragamuwa Province	25	79	11	-	-	-
Southern Province	46	85	15	-	-	-
Uva Province	17	39	38	-	-	-
Western Province	493	342	220	620	126	160
Total	746	748	661	620	126	160

▶ IMPACT REPORT

Legally recognized full-time employees or supervised contract workers carry out the majority of work in the Group.

Our Supply Chain

Smooth running of our supply chain is essential to CIC, as the continuity of the various businesses in the Group are dependent on it.

CIC assesses potential suppliers, both local and foreign, for the quality and safety of their products, cost, reliability of delivery, reputation, credit terms, minimum order quantities, and lead times. Once suppliers have been selected, supplier agreements are entered into and the supply of goods and services begin. In order to ensure business continuity, multiple suppliers are identified for a given product or service. Business Heads/ Operation Heads carry out periodic assessments to evaluate supplier performance. If performance is not satisfactory and cannot be improved by further negotiations, the supplier agreement is discontinued and another suitable supplier is chosen.

CIC's supply chain consists of manufacturers of raw material, finished goods and packing material. Labour suppliers provide outsourced workers for certain manufacturing operations, as well as for some product promotion activities. Once the goods are ready for sale, transport suppliers provide transportation facilities to wholesaler, distributor warehouses and to retail supermarket and shops.

CIC and the Precautionary Principle

Given the industries we operate in, namely the food, poultry, and healthcare industries, CIC as a Group follows the precautionary approach very strictly.

The "precautionary principle" is a notion which supports taking protective action before there is complete scientific proof of a risk; that is, action should not be delayed simply because full scientific information is lacking.

Our companies put this into practice in a number of ways. In our poultry business, if there is an indication of disease to our poultry livestock, the entire flock is culled. If there is the slightest doubt of

contamination to our food products e.g. rice, yoghurt, etc. all batches are recalled and destroyed. No drug or device can be imported into Sri Lanka unless approval is obtained by the National Medicines Regulatory Authority. Regardless, in the event a contamination or product defect is suspected or identified in a batch imported subsequently, all stocks are recalled and destroyed. 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 before their expiry date.

Involvement in external initiatives and organizations

The Group upholds values and principles as per the international charters and respects the United Nations Universal Declaration on Human Rights, and supports the principles of the UN Global Compact.

CIC and its subsidiary companies are active in industry associations operating in Sri Lanka, as follows:

Involvement in external initiatives and organizations

CIC and its subsidiary companies are active in industry associations operating in Sri Lanka, as follows:

Associations in which the Company holds a position on the Board	Associations in which the Company participates as a member
<ul style="list-style-type: none"> > Ceylon Chamber of Commerce -President > Sri Lanka Chamber Of Medical Devices - Past President > Pharma Promoters Association -Vice President > CropLife Sri Lanka - Executive Committee Member > Department of Agribusiness Management, Faculty of Agriculture, Sabaragamuwa University of Sri Lanka - Board member > Exporters' Association of Sri Lanka > National Agri Business Council: Secretary > CSR Lanka - Board member 	<ul style="list-style-type: none"> > National Chamber of Commerce > Ceylon Chamber of Commerce > The Sri Lanka Chamber of the Pharmaceutical Industry > CropLife Asia > National Toxicological Association > National Agribusiness Council > National Research Council & Department of Agriculture > National Research Council & Department of Agriculture > National Fertilizer Secretariat > World Dental Association > American Dental Association > Indian Dental Association > International Federation of Essential Oils and Aroma Traders

Associations in which the Company holds a position on the Board

Associations in which the Company participates as a member

- > Export Development Board
- > The National Chamber of Exporters of Sri Lanka
- > The Spice Council of Sri Lanka
- > International Chamber of Commerce of Sri Lanka
- > The Ceylon National Chamber of Industries
- > Industrial Technology Institute
- > Sri Lanka Association of Testing Laboratories
- > Royal Society of Chemistry
- > Sri Lanka Australia - New Zealand Business Community
- > Perfumer & Flavorist
- > British Herbal Medicine Association
- > Department of Commerce
- > National Science Foundation of Sri Lanka
- > Employers' Federation of Ceylon
- > National Chamber of Commerce
- > Sri Lanka Benelux Business Council
- > Sri Lanka Poultry Forum
- > Sri Lanka Poultry Producers Association
- > World Poultry Science - Sri Lanka
- > Ceylon National Chamber of Industries
- > National Chamber of Exporters of Sri Lanka
- > United Nations Global Compact
- > Sri Lanka Institute of Directors
- > Sri Lanka Institute of Packaging
- > Plastic & Rubber Institute
- > Exporter's Association of Sri Lanka
- > Sri Lanka-Germany Business Council
- > Sri Lanka-Malaysia Business Council
- > Sri Lanka-Nordic Business Council
- > Sri Lanka-China Business Council

Identified Material Aspects and Boundaries

All entities included in the Company's consolidated financial statements can be found listed on page 41 of the 2016/17 Annual Report. Of this list, our subsidiaries CIC Cropguard (Pvt) Ltd, Crop Management Services (Pvt) Ltd, Colombo Industrial Agencies Limited, and CIC Lifesciences Limited, as well as our associate company Akzo Nobel Paints Lanka (Pvt) Ltd continue

to not be covered by our sustainability reporting process.

We will take steps to include these entities in the scope of future sustainability reports of CIC Holdings PLC.

In determining materiality, CIC analyzed the full list of aspects as set out in the GRI G4 Guidelines against the activities of CIC Holdings and its key subsidiaries, taking into account areas where the Group's

operations could cause significant actual or potential impacts. Through this process, material aspects were determined for each key entity of the Group, and aspect boundaries were determined as shown below. The material aspects and aspect boundaries have remained the same for the past 3 consecutive reporting years.

The Company also took into account the extent to which stakeholders are affected by each operation's impacts, as well as

► IMPACT REPORT

the aspects that would be most relevant to report on from the point of view of the Company's key stakeholder groups, when undertaking its materiality assessment. As a Group involved in the marketing of fertilizer and crop protection chemicals and the manufacturing of PET bottles, we are aware of the impact these have on the environment and health and safety of the citizens of Sri Lanka and have also taken this into consideration when determining the material aspects to be included in this report .

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

Categories	Aspects	CIC Holdings	CIC Agri Businesses	CIC Feeds	Chemanex	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 in our previous reports, some limitations regarding aspect boundaries remain, as some entities of the Group are yet to be included in the reporting process. In addition, at this stage materiality has only been determined for within the Company and not outside of the Company. For all identified aspects however, it is deemed that that the aspect is material for the entire geographical boundary of each entity to which it is relevant.

Stakeholder Engagement

CIC maintains an open and meaningful relationship with its key stakeholders, namely customers, employees, shareholders, suppliers, the Government and the communities in its various areas of operation.

These groups are considered to be our most important stakeholders and are continually engaged with according to the rationale described below:

Stakeholder Group	Importance to the Group	Methods of Engagement	Areas discussed through Engagement
Customers	As the focus of our business	<ul style="list-style-type: none"> > Regular Customer visits > Technical Training Sessions > On-going technical advice > Educational programs > Partner development programs – e.g. educating farmers on financial literacy > Customer felicitation programmes 	<ul style="list-style-type: none"> > Improvement to product quality > Widening Product application, including new product developments > Better mutually beneficial prices have been established. > Better credit have been negotiated > Correct use and safe disposal products (especially agriculture inputs, industrial inputs and pharmaceutical products)
Employees	Employees drive Company strategy and are our most valuable asset	<ul style="list-style-type: none"> > Performance reviews on all the employees > Employee Opinion Surveys > In-house newsletters > Formal and informal team building sessions > Informal gatherings in the form of picnics, Christmas parties, etc. > Monthly meetings, reviews, etc. > An open door policy is maintained so that staff can share their concerns with the relevant parties at any time > Internal activations for special days of the year , ie Children’s day, Christmas, New Year Valentine Day Women’s Day etc. > An intranet is to be launched soon 	<ul style="list-style-type: none"> > Development of skills and > Career Development > Succession planning > Engagement with employees, has helped avoid industrial disputes
Shareholders	Shareholders are the owners of the company and provide equity	<ul style="list-style-type: none"> > Annual General Meetings > Extraordinary General Meetings 	<ul style="list-style-type: none"> > Shareholders are kept informed of the progress of the company through the AGM. Here they get an opportunity to raise concerns and get clarifications of issues concerning them

► IMPACT REPORT

Stakeholder Group	Importance to the Group	Methods of Engagement	Areas discussed through Engagement
Suppliers	Our supply chain is integral to our operations and our suppliers help us keep the customer happy with reliable products available at the right time, at the expected levels of quality.	<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 > Suppliers are also informed of 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
Government/Regulators	The Government and other regulators are the implementers of policy and regulation, which can impact on our strategy formulation and business operations	<ul style="list-style-type: none"> > Advising the Government on policy setting (agricultural, livestock, and pharmaceutical) > Meetings with Government officials as the need arises - on community investment activities, utilization of state land, taxes, subsidies, and national issues such as (ground, excess use of fertilizer , pharmaceutical drug pricing, Banning of PET bottles 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 (Chichen , Pharmaceuticals ect) > Lobbying for a more practical approach to address the Plastic bottle issue rather than total banning of the product
Local Communities	Local communities are the wider population whose lives we impact through our operations	<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 > Year 5 scholarships A'Level Seminars, School drinking water projects for children in farming communities 	<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 > We are also involved in raising the financial literacy of farmers
Environmental groups	Engagement with environmental groups helps us to ensure that we uphold our commitments towards protecting the environment	<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 is the financial year 1st April 2016 till 31st March 2017. The previous report available covers the period 1st April 2015 – 31st March 2016 and was published in June 2016. CIC has not sought external assurance for its reporting process to date, but hopes to do so in the future.

This report has been prepared based on the GRI G4 Guidelines, in accordance with Core reporting requirements.

There have been no restatements of information provided in previous reports of CIC Holdings PLC within this report, and no significant changes in the Scope or Aspect Boundaries compared to the previous report.

Any questions regarding the report or its content could be directed to:

K .A. V Manatunga
General Manager-Corporate Planning and Treasury
CIC Holdings PLC
199, Kew Road, Colombo 2
Tel: 2359359

Governance

The Company's governance systems and processes are detailed in the chapter on Enterprise Governance on page 19 within the Annual Report. This chapter addresses the Company's governance structure and composition of the Board as well as committees responsible for specific functions. There is currently no dedicated committee established that is responsible for decision making on economic, environmental, or social impacts. However, the Board of Directors takes a keen interest in this area and overlooks these aspects at an overall level.

Details with regards to relationships with shareholders and other stakeholders and mechanisms for stakeholders to provide recommendations to the Board are also presented through the Enterprise Governance Chapter, as well as other pertinent information which enables the reader to assess the foundations upon which the Company operates.

Ethics and Integrity

The vision, mission, and values of CIC Holdings are described on page 3 of the Annual Report. Though these values are applicable across the Group, each group subsidiary also provides further guidance to their employees through their own codes of conduct.

► GRI INDEX

GRI Content Index for 'In accordance' – Core

General Standard Disclosures		Page	External Assurance
Strategy and Analysis			
G4-1	Managing Director's Statement	10*,53	None
Organizational Profile			
G4-3	Name of the Company	56	None
G4-4	Primary brands, products, and services	56	None
G4-5	Location of headquarters	56	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	56	None
G4-7	Nature of ownership and legal form	56	None
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	56	None
G4-9	Scale of the Company	57	None
G4-10	Employment statistics	57	None
G4-11	Percentage of total employees covered by collective bargaining agreements	46	None
G4-12	Description of the Company's supply chain	58	None
G4-13	Significant changes during the reporting period regarding the Company's size, structure, ownership, or its supply chain	57	None
G4-14	How the precautionary approach or principle is addressed by the Company	58	None
G4-15	List of externally developed economic, environmental, and social charters, principles or other initiatives, to which the Company subscribes or endorses	58	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.	58	None
Identified Material Aspects and Boundaries			
G4-17	List of entities included in the Company's consolidated financial statements	59,41*	None
G4-18	Process for defining the report content, and the aspect boundaries	59	None
G4-19	List of material aspects identified in the process for defining report content	60	None
G4-20	Material aspects and aspect boundary within the Company	60,61	None
G4-21	Material aspects and aspect boundary outside the Company	61	None
G4-22	Effect of any re-statements of information provided in previous reports and the reason for such re-statements	63	None
G4-23	Significant changes from previous reporting periods in scope and aspect boundaries	63	None
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the Company	61	None
G4-25	Basis of identification of stakeholders with whom to engage	61	None
G4-26	The Company's approach to stakeholder engagement including frequency of engagement, by type and by stakeholder group	61	None
G4-27	Topics and concerns that have been raised through stakeholder engagement and how the Company has responded	61	None

Report Profile			
G4-28	Reporting period for information provided	63	None
G4-29	Date of most recent previous report	63	None
G4-30	Reporting cycle	63	None
G4-31	Contact point for questions regarding report content	63	None
G4-32	'In accordance' option, and GRI Content Index	63	None
G4-33	The Company's policy and current practice regarding seeking external assurance for the report	63	None

Governance

G4-34	Governance structure of the Company including committees of the highest governance body	63,19*	None
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Ethics and Integrity

G4-56	The Company's values, principles, standards and norms of behaviour	3*,63	None
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Specific Standard Disclosures

Material Aspects	DMA and Indicators	Page	External Assurance
Economic			
Economic performance	G4-EC1, G4-EC3, G4-EC4	29,46	None
Market presence	G4-EC5	44	None
Indirect economic impacts	G4-EC8	42	None
Procurement practices	G4-EC9	41	None
Environmental			
Materials	G4-EN1, G4-EN2	30-31	None
Energy	G4-EN3	31-32	None
Water	G4-EN8, G4-EN10	32-33	None
Biodiversity	G4-EN11	33	None
Emissions			
Effluents and waste	G4-EN22, G4-EN23, G4-EN24	33,35	None
Products and services	G4-EN27	35	None
Transport	G4-EN30	35-36	None
Supplier environmental assessment	G4-EN33	36	None
Social			
Labour Practices and Decent Work			
Employment	G4-LA1	44-45	None
Occupational health and safety	G4-LA6	49	None
Training and education	G4-LA9, G4-LA11	48-49	None
Diversity and equal opportunity	G4-LA12	46-47	None
Equal remuneration for women and men	G4-LA13	47	None
Labour practices grievance mechanisms	G4-LA16	48	None

► GRI INDEX

Material Aspects	DMA and Indicators	Page	External Assurance
Human Rights			
Non discrimination	G4-HR3	47	None
Freedom of association and collective bargaining	G4-HR4	47	None
Child labour	G4-HR5	47-48	None
Forced or compulsory labour	G4-HR6	47-48	None
Supplier human rights assessment	G4-HR11	48	None
Society			
Local communities	G4-S01, G4-S02	42,40	None
Compliance	G4-S08	41	None
Product Responsibility			
Customer health and safety	G4-PR1	37-38	None
Product and service labeling	G4-PR3, G4-PR5	38-40	None
Marketing communications	G4-PR7	40	None
Compliance	G4-PR9	40-41	None

Page numbers marked with an (*) refer to the 2016/17 Annual Report of CIC Holdings PLC. Other page numbers refer to this Supplementary Report for 2016/17.

▶ CORPORATE INFORMATION

Name of the Company

CIC Holdings PLC

Company Registration No.

PQ 88

Legal Form

A Public Quoted Company with limited liability incorporated in Sri Lanka in 1964.

Re-registered under the Companies Act No. 07 of 2007 on 21st November 2007.

Registered Office

199, Kew Road, Colombo 2.

Directors

S H Amarasekera (Chairman)

S P S Ranatunga (MD/CEO)

R N Asirwatham

R S Captain

S M Enderby

M P Jayawardena

K B Kotagama

Prof. P W M B B Marambe

Dr. R C W M R D Nugawela

P R Saldin

A V P Silva

D S Weerakkody

Company Secretary

P D S Ruwanpura

Auditors

KPMG

Chartered Accountants

32A, Sir Mohamed Macan

Markar Mawatha, Colombo 3.

Bankers

Axis Bank

Bank of Ceylon

Commercial Bank of Ceylon PLC

DFCC Bank

Hatton National Bank PLC

ICICI Bank

Muslim Commercial Bank

NDB Bank PLC

Nations Trust Bank PLC

People's Bank

Pan Asia Bank PLC

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Legal Advisers

Nithya Partners

Attorneys-at-Law

97A, Galle Road, Colombo 3.

Julius & Creasy

Attorneys-at-Law

41, Janadhipathi Mawatha, Colombo 1.

Executive Director

S P S Ranatunga (MD/CEO)

Non-Executive Directors

S H Amarasekera (Chairman)

R N Asirwatham

R S Captain

S M Enderby

M P Jayawardena

K B Kotagama

Prof. P W M B B Marambe

Dr. R C W M R D Nugawela

P R Saldin

A V P Silva

D S Weerakkody

Audit Committee

R N Asirwatham (Chairman)

S M Enderby

P R Saldin

Human Capital & Compensation Committee

D S Weerakkody (Chairman)

S H Amarasekera

R N Asirwatham

R S Captain

S M Enderby

Nominations Committee

S H Amarasekera (Chairman)

R N Asirwatham

R S Captain

Related Party Review Committee

R N Asirwatham (Chairman)

S M Enderby

S P S Ranatunga

D S Weerakkody

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