

Communication on Progress

(October 2015 – September 2016)

For

United Nation's Global Compact

by



International Distillers Ltd.

**Melfort Estate,
Kothalawala, Kaduwela, Sri Lanka.**

Statement of Continued Support



25th July 2017.

To our stakeholders

I am pleased to confirm that International Distillers Ltd. reaffirms its continued support of the Ten Principles of the United Nations Global Compact.

In this annual Communication on Progress, we describe our continuous efforts of integrating the 10 Principles of the UNGC into our business strategy, culture and daily operations during the period under review.

Sincerely Yours

Group Risk Control Manager

Brief Description of the Company

International Distillers Limited is a premier manufacturer and marketer of alcoholic beverages in Sri Lanka. We are the only Company in the industry with three ISO Standards Certifications – Standards of Quality Management (ISO 9001:2000), Food Safety Management (ISO 22000:2005) and Environmental Management (ISO 14001:2004), which makes us the best quality producer in the industry in Sri Lanka by far.

Company History

Gilbeys Lanka Ltd, was incorporated in 1980 as a quoted Public Company and a subsidiary of International Distillers & Vintners (IDV), UK. IDL was, in turn, a wholly owned subsidiary of Grand Metropolitan Group, one of UK's leading consumer goods Companies, specializing in branded food and drinks businesses. IDV was, at that time, the Group's worldwide Spirits and Wines business, with operation in over 55 countries across six geographical regions, North America, Europe, Asia, Pacific Africa, South America and the CIS.

Due to a policy decision made by the holding company, the name of the local subsidiary was changed to International Distillers Lanka Ltd (IDL) effective 1st October, 1993.

In late 1997, Grand Metropolitan Plc, merged with another British giant, United Distillers/Guinness Group to form Diageo Plc. The wines and spirits arm of Diageo was renamed United Distillers & Vintners Ltd. (UDV) and the Sri Lankan Company, IDL became its subsidiary.

Following negotiations with the holding company, Premium Brands Ltd. (PBL), a company registered in Sri Lanka, bought over the controlling shares of IDL at a "Management Buy Out" in late 1997. Owing to a management decision, the name of the company was once again changed to "I D Lanka Ltd." in September 2004.

In January 2014, company has changed its name again to "International Distillers Ltd". This change was part of the company's rebranding initiative to better reflect its expanding product Offerings.

Other Information

The Directors of the Company are Mr C P de Silva (Chairman), Mr R S Tissanayagam (Managing Director), Mr S T Nagendra, Mr Franklyn Amerasinghe, Mrs R Tissanayagam, Ms Indhu Selvarathnam and Dr Kemal de Soysa.

The Company's principal place of business including its factory is situated at Melfort Estate, Kotalawala, Kaduwela, 12 km from the City of Colombo. The 7 acre complex at Kaduwela houses the administrative offices, the production facilities, laboratories and warehousing.

The local portfolio of IDL ranges from Arracks (a coconut based spirit) to Gins, Brandies and Cane Spirits whilst the international portfolio comprises several world renowned brands.

One of IDL's premium brands, namely Old Reserve Arrack has been selected by the Ministry of Tourism, on the recommendation of Chefs Guild of Lanka, as the base for the "Sri Lankan Sun Rise", adopted as the country's Signature Cocktail. Old Reserve, a definitive statement of the Master Blenders Art, is made by the selective blending of the purest coconut spirits. This is a unique arrack with a natural smoothness and an excellent bouquet, quite simply the best of its kind.

IDL's range of gins, recognized as the best produced in Sri Lanka and comparing very favourably to international standards, have also received several accolades from international connoisseurs.

- **Relevant Statistics:**

- | | |
|------------------------------------|---------------|
| - Turnover (y/e 30.09.'15) | - LKR 17 Bn |
| - Number of employees | - 259 |
| - Capital employed (y/e 30.09.'15) | - LKR 3.35 Bn |

Principles Selected

Human Rights:

Principle No. 01 Businesses should support and respect the protection of internationally proclaimed Human Rights, and

At International Distillers Ltd. (IDL) we conduct our business in line with the internationally proclaimed Human Rights at all times. We go all out to support and respect the Human Rights of all our stakeholders.

Rights of Employees

We have created a safe and healthy working environment where all employees, irrespective of their rank, gender, ethnicity and religion can work comfortably. We constantly review our working conditions to ensure that our employees work in a safe and comfortable work environment.

Our remuneration policy ensures that all employees receive their wage on time. We regularly revise our salary structures to ensure that all our employees earn a fair salary based on performance irrespective of all other differences.

Rights of Consumers

We as a quality conscious corporate, go all out to present the highest quality product to our consumers. Our Quality Assurance Team is vigilant throughout our bottling process to ensure that each and every product that goes out to the consumer is of same quality.

Rights of the State

IDL being a responsible corporate citizen, recognizes the government as a major stakeholder in our business. We always look to protect the right of the government by paying taxes on time and by ensuring that all our businesses are conducted as per the laws governing in the country.

Principle No. 02 Make sure they are not complicit in Human Rights abuses

International Distillers Ltd. is fully compliant with the Principle # 2 and confirms that we do not engage or support any activity that leads to Human Right violation of any form.

Labour:

Principle No. 03 Business should uphold freedom of association and the effective recognition of the right to Collective Bargaining.

At International Distillers Ltd., we recognize the freedom of association and that any employee has the right to join a Trade Union and the right to collective bargaining. Currently, we have recognized 02 Trade Unions covering employees from Manual Grades and employees from Clerical & Allied Grades.

We have had several Collective Agreements signed with the Trade Union representing manual grade employees. The term of the current Collective Agreement signed with the Trade Union representing manual grade employees, will end on 31st October 2016. Preparatory work is being carried out from July 2016 to renew this agreement by 1st November 2016 for another period of three years.

Having recognized the 02 year old Union representing the Clerical Grade employees, the company has had several discussions with the Union representatives and has successfully completed the negotiation process to enter in to a Memorandum of Understanding in Jan 2014 for a period of two years. This too recognizes the right to bargain and will be renewed as appropriate.

We anticipate a 'win win' Collective Agreement and a Memorandum of Understanding taking in to consideration the excellent relations and also the open dialog maintained with the unions in the past where issues were settled amicably maintaining industrial harmony during the period under review.

Principle No. 04 The elimination of all forms of forced and compulsory labour

At IDL, we treat each and every employee with freedom and dignity. We recognize each employee as a human being.

Every employee has been issued with a letter of appointment, clearly mentioning the Terms of Employment including working hours, remuneration, age of retirement etc. Overtime and working during holidays will be solely decided on mutual agreement with the employees concerned.

Company leave policy has been designed taking into consideration the existing labour laws in the country and our leave allocation is even way above the required limit of 21 days (*in toto*) a year.

Principle No. 05 *The effective abolition of child labour*

The Company ensures that no person under 18 years will be hired for any form of employment in the Company. Our recruitment policy, clearly describes the employable age as 18 years and above.

In order to ensure that the employees we recruit are in the employable age, we check and obtain the copies of ID Card and the Birth Certificate of the recruit. We have clearly advised our labour contractors regarding our policy on employable age and we keep a close eye on it on daily basis.

Principle No. 06 *Eliminate discrimination in respect of employment and occupation*

IDL is fully compliant with the principle : Eliminate discrimination in respect of employment and occupation. This is clearly established in the item no. 07 of our Code of Business Conduct. **(following is an extract of the IDL Code of Business Conduct)**

Quote ...

Discrimination

The recognition and encouragement of the uniqueness of individual contribution within a team environment is the embodiment of our employment policy.

This ensures that in all aspects of employment such as recruitment, compensation, training, promotion, transfer, termination and benefits all employees will be treated as individuals solely according to their abilities to meet job requirements without regard to factors such as race, religion, ethnic origin, age, disability, gender, marital status or any other status.

Harassment

Harassment of any kind, such as racial or sexual harassment, is completely unacceptable within IDL.

..... unquote

As a responsible corporate citizen we boast ourselves as an equal opportunity employer, as we select the right candidates for our vacant positions purely on merit basis irrespective of their differences viz. religion, gender, ethnicity, caste and etc.

Even though, we have a male dominant workforce at IDL, due to the nature of our business, we always encourage females to apply for our vacancies. Currently, we have 20 female employees in our cadre, which is about 08% of the total employee base in our company. We are committed to protect the rights of female employees in the company. In this endeavour the company has a policy in place to address issues relating to Sexual Harassment.

IDL employs persons from different ethnic groups and religious faiths. We have employees from different ethnic groups such as

Sinhala, Tamil, Muslim and different religious faiths such as Buddhists, Catholics, Hindus and Islams working hand in hand with each other in our Company. All groups are treated equally based on merit.

At IDL, physical or mental disabilities create no barrier for employment. Currently, there are 7 physically and mentally disabled youth on the permanent cadre. These youth, recruited under “Employers Network on Disability”, a joint venture of the Employers’ Federation of Ceylon (EFC) and Motivation Charitable Trust, serve in the Manual Cadre. They represent nearly 03% of the total work force in the Company. All these differently abled youth are on the same payroll as all other employees, enjoying the same benefits.

IDL encourages disabled persons who have the necessary qualifications to apply for vacancies in the organization and all newspaper and web advertisements carry this message.

Environment:

- | | |
|-------------------------|--|
| <i>Principle No. 07</i> | <i>Business should support a precautionary approach to environmental changes.</i> |
| <i>Principle No. 08</i> | <i>Undertake initiatives to promote great environmental responsibility, and</i> |
| <i>Principle No. 09</i> | <i>Encourage the development and diffusion of environmental friendly technologies.</i> |

It is the policy of International Distillers Ltd., to minimize the environmental impact of all its operations and to comply with environmental regulations at all times. We have developed procedures to minimize the generation of waste and for the disposal of solid waste, liquid waste and gaseous emissions in an environmental friendly manner.

Our commitment towards protecting the environment is clearly expressed in the item 09 of our Code of Business Conduct. The following is the extract from our Code of Business Conduct.

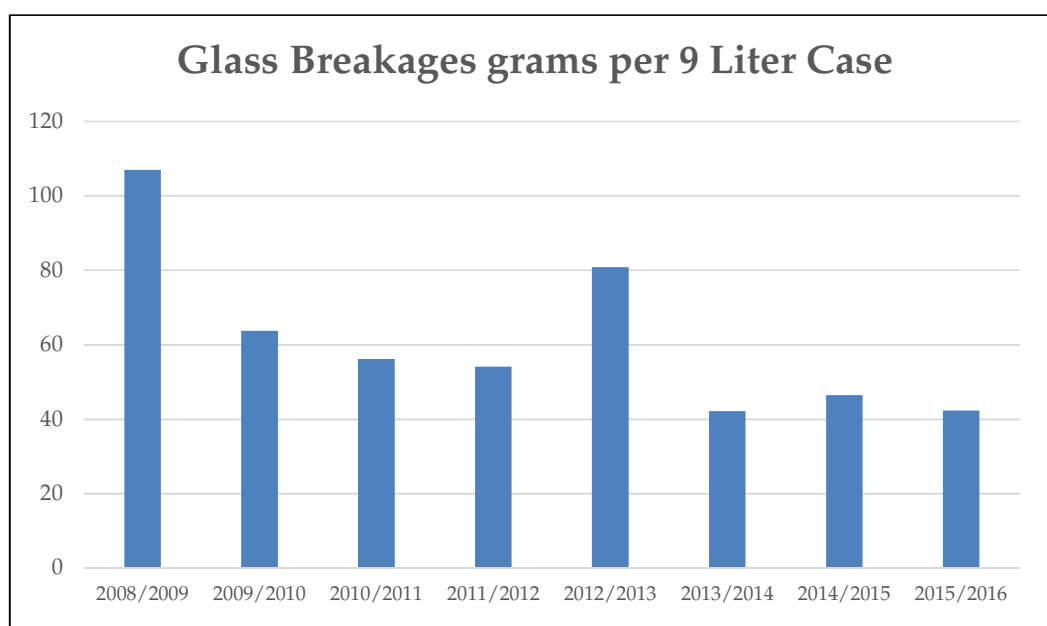
“Care for the environment is an important element of business conduct. IDL must avoid the unnecessary waste of resources and dispose of unwanted by-products in compliance with applicable regulations. This subject requires constant attention from all employees.”

Our Effluent Treatment Plant is functioning effectively and at its full capacity. This ensures that we discharge no harmful substances to the environment along with our waste water. Further, we are in the process of developing a system to make use of the treated waste water for certain washing purposes and for watering the plants in our garden as well.

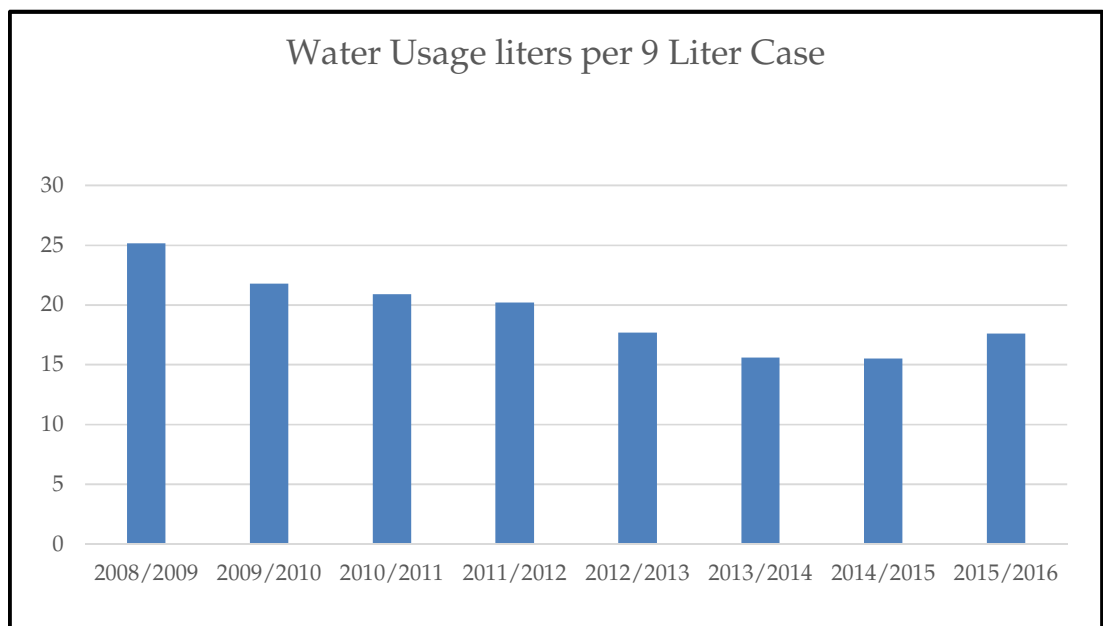
We have embarked on a programme for the reduction of water and electricity consumption through an ISO systems guided measure & monitor procedure to reduce the environmental impact from our business activities. We have also set stringent targets to reduce bottle breakages and increased the re-use of bottles to further reduce the environmental impact from our business.

Glass Breakage – Solid Wastes

Financial Year	Actual Breakages grams per 9 liter case	Target/bench mark grams per 9 liter case
2008/2009	107	66
2009/2010	63.77	102
2010/2011	56.19	70
2011/2012	54.13	65
2012/2013	80.88	65
2013/2014	42.13	65
2014/2015	46.46	65
2015/2016	42.33	65

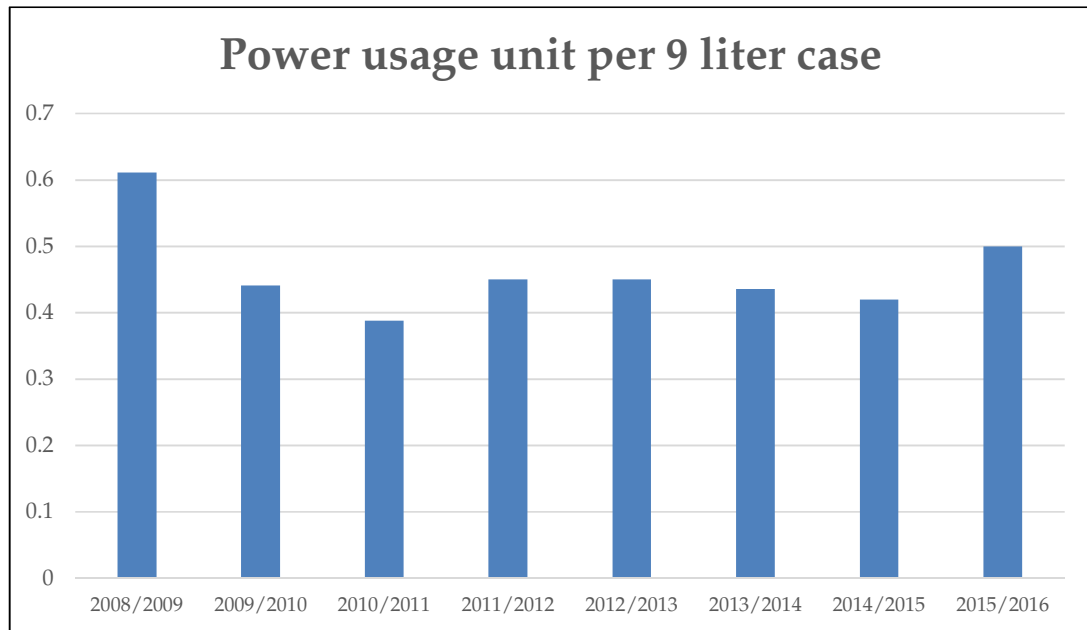


Financial Year	Water usage liters per 9 liter case	Target/bench mark liters per 9 liter case
2008/2009	25.17	19
2009/2010	21.80	25
2010/2011	20.90	22
2011/2012	20.20	20
2012/2013	17.67	20
2013/2014	15.62	20
2014/2015	15.50	20
2015/2016	17.60	20



Electricity Usage (Power Usage)

Financial Year	Power usage unit per 9 liter case	Target/bench mark unit per 9 liter case
2008/2009	0.611	0.632
2009/2010	0.441	0.632
2010/2011	0.388	0.44
2011/2012	0.45	0.39
2012/2013	0.45	0.45
2013/2014	0.4359	0.45
2014/2015	0.42	0.45
2015/2016	0.50	0.45



The Head of Quality Assurance and Q A Manager have been trained as Internal Auditors for ISO 14001 (Environmental Management System). ISO and Quality Systems awareness programmes were conducted for all employees during the year.

Continuous improvement in this area has led to IDL being the only Company in the alcoholic beverages industry in Sri Lanka to be certified under ISO 14001 : 2004 Environmental Management by SGS UK.

Anti-corruption:

Principle No. 10 *The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery*

As a business policy, IDL is fully compliant with the Principle on Anti-corruption and in our Code of Business Conduct we have spelt it as follows:

“Commercial bribery is a growing problem in many industries. In IDL we rely on the good sense and integrity of employees and the sensitivity and co-operation of our business associates to ensure our actions are beyond reproach and are not capable of causing embarrassment to the Company or to any individual.

At IDL, we firmly believe in conducting our business ethically. We do not promote or encourage bribes when dealing with our stake holders. We go all out to fulfill all legal and other socially accepted requirements. We do pay taxes and other statutory dues on time. By fulfilling all statutory and other legal obligations we believe that we do not need to induce anyone or any position to get our work done in any unlawful means.

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