



Communication on Progress

2021/22



Overview

The CBL Group is among Sri Lanka's largest food conglomerates manufacturing a wide range of high quality food products that cater to the diverse food needs of consumers. The diversified CBL portfolio spans the categories of biscuits, chocolates, cakes, cereals, textured soy, coconut products, organic products and, spices. CBL's brands Munchee, Ritzbury, Revello, Tiara, Lankasoy, Samaposha, Sera and Nutriline are household names in Sri Lanka, leading market categories through innovative products and consumer-centric brand strategy.

The CBL Group operates under its parent entity - CBL Investments Limited and engages in manufacturing and sales activities through nine subsidiary companies in Sri Lanka and two overseas categorized into three clusters- Confectionery, Foods and Natural Foods.

CBL's sales teams reach local consumers via its nationwide distribution and retail network.

CBL is also among Sri Lanka's leading exporters with presence in over 65 countries in the world and, ranked as one of the largest exporters of confectionery and coconut milk in the country.

With approximately 4,000 direct employees and thousands of indirect livelihoods sustained by the Group, CBL is a catalyst for positive change in its value chain communities. A strong advocate for inclusive growth, CBL's brands are closely linked to the development of consumer communities with business strategies relying on partnerships with community stakeholders. The Group drives development agendas in rural communities through job creation, developing necessary infrastructure, building better nutrition habits, providing access to drinking water, providing scholarships to prevent early school dropouts, improving diversity, training and skills development, vocational development and, patronage of sports, arts and culture.



Human Rights



As a Sri Lankan organization that is committed to contributing towards the positive development of consumer, community and country through its operations, CBL Group's approach to Human Rights is centred on core values of Caring, Quality, Innovation and Integrity which are embedded in its Code of Conduct. The Code is an expression of the fundamental values and ethical standards of the CBL Group and creates an environment for decision making that represents best practice. The code is a trilingual publication that is accepted and agreed on by every employee at CBL and governs the principles of non-discrimination, equality, fairness and ethical practices expected of employees. CBL's policies and practices support fair,

equitable, equal in opportunity, diverse and inclusive employee processes through robust Talent Acquisition, Learning & Development, Performance Management and Total Rewards policies. CBL conducts regular reinforcement and clear communication of these principles in the course of its business.

Through its operations, CBL connects with thousands of stakeholders across its value chain from farm to table. Respecting, protecting and fulfilling the basic rights, dignities and freedoms of these value chain stakeholders is key in CBL's strategy for sustainable growth and, the Group regularly reviews its processes to ensure continuous improvement.

The Group furthers its commitment to human rights including elimination of modern slavery and child labour in its supply chains through comprehensive supplier audits and evaluations. Supporting suppliers to adhere to good business and human practices is key to improving transparency and compliance and, CBL's supplier ratings aim to support supplier development towards best practice.

The Group has focused on vertically integrating agricultural raw material sourcing processes to improve transparency in its supply chain. Partnerships with international agencies such as the United Nations Development Programme, International Labour Organization and Oxfam have supported CBL to align to global best practice to build ethical, green supply chains. CBL's collaboration with the Women in Work (WiW) joint initiative of the International Finance Corporation (IFC) and the Department of Foreign Affairs (DFAT) aims to develop competencies and reduce inequalities in distribution and retail networks. The programme titled Senehasin Jayamaga or Route to Success will train 5,000 retail and distribution owners across Sri Lanka to adopt better financial management and business continuity planning for resilience. The programme aims to improve diversity by supporting female entrepreneurs to join the CBL network and thrive and, CBL has recorded a 130% increase in females in this traditionally male dominated space.

The Group is committed to ensuring equal opportunities and breaking stereotypes for marginalized communities across its value chain through equal and equitable growth opportunities. Sahan Sewana is a self-sustained manufacturing facility for the handcrafted Hope cookies range, dedicated to providing financial independence and empowering communities with intellectual disabilities. For its 20 employees, of which 35% are female, and their families Hope has been the means to deliver better standards of living and breaking stereotypes. CBL also

carries out vocational training programmes for youth with hearing impairment and disability with employment opportunities in reputable organizations post training.

CBL's brands are closely linked to community development with brand activities that address key societal needs to facilitate better access to growth opportunities, enhanced standards of living and livelihood. To date, CBL has provided over 3,000 scholarships for primary, secondary and tertiary education to prevent early school dropouts, completed over 160 rural community infrastructure development projects, supported better nutrition and wellbeing practices and, promoted sports, arts and culture for community stakeholders.

Labour



The CBL Group is committed to providing the right conditions to support its employees to thrive in every role in life. The CBL Employee Value Proposition is centred around creating a safe, value based and friendly working environment, building critical future capabilities through learning and development, driving purpose driven performance and making connections that count.

The Group and subsidiaries are in compliance with national labour laws and regulations including the Shop & Office Employees Act and Wages Board Ordinance and, all other statutory requirements for working conditions, health and safety, leave, benefits and remuneration.

CBL Group's Code of Conduct governs employee behavior and communicates CBL's expectations of its employees. This document is provided to and agreed on by all employees and communicated through structured orientation programmes and regular awareness. CBL maintains a zero tolerance approach to harassment, discrimination and unfair treatment. The Group Anti-Harassment Policy provides a safe mechanism for employees reporting harassment in the workplace while the CBL Grievance Handling policy provides effective mechanisms to resolve official or personal grievances.

Ceylon Biscuits Limited conducts discussions with its trade union to co-create solutions to different challenges posed by changing circumstances and it concluded collective agreements with its trade union for the period of 2020-2022 after successful negotiation between the parties.

A comprehensive policy on Safety, Health, Environment and Quality guides CBL's commitment to eliminate and prevent

workplace accidents, quality deficiencies and environmental harm. Safety cells, quality circles and cross functional teams drive SHEQ practices and each year, SHEQ week is celebrated through interactive programmes to reinforce best practices towards an accident free, safety focused culture. Covid safety took precedence in management decision making as CBL focused on strengthening safety protocols that were implemented in the previous year to prevent the spread of COVID, continuing to work closely with health authorities to implement health protocols and take preventative measures to keep employees on site safe.

As an equal opportunity employer, CBL Group is committed to meeting the spirit as well as the letter of the law and ensures that all recruitments are in line with statutory age limits. We are committed to equal opportunity employment regardless of race, color, gender, ethnicity, religion, marital status or any other factors that are not employment related. Our policy is to remove barriers to employment opportunities by assessing potential candidates strictly on individual competencies. The CBL Talent Acquisition policy ensures equal opportunities and treatment for all potential recruits at every stage. The Group records 29% females of its 3,900+ employees with 19% representation of females in senior management. The Group is a part of the UNGC Target Gender Equality Initiative to improve diversity and strengthen employee practices by learning from global best practice. As part of its commitments to the SHEWORKS network, CBL established its crèche facility with unique operating hours to support working parents with professional childcare covering all 03 shifts at CBL. This

facility has resulted in maternity return rates increasing by 23% and absenteeism leading to no pay in parents decreasing by 40%.

Learning and development is key to building critical future capabilities in CBL's workforce. The Group's robust Learning and Development policy framework facilitates effective identification of skill gaps and addresses effective learning opportunities to bridge these gaps. Despite challenging conditions, over 1000 employees were trained covering 24000+ training hours during the 2021/22 financial year.

CBL's holistic Total Rewards framework rewards employees both financially and non-financially, ensuring that compensation packages attract and retain talent to fuel its sustainable growth agenda. Routine surveys are conducted to ensure the competitiveness of compensation structures. Despite challenges wrought by the pandemic and economic volatility, CBL continued to effect all salaries, bonuses, promotions, increments and other benefits and also effected an additional payout to employees across the Group in appreciation of the commitment demonstrated and as a gesture of support in these challenging times.

This year, CBL launched its Total Wellbeing initiative under the 05 pillars of physical, mental, emotional, spiritual and financial wellbeing. Led by SBU representatives, this initiative will promote good health and wellbeing for employees across the Group through focused initiatives. This year the Total Wellbeing team carried out free pap and breast cancer scans, medical testing, mental wellbeing awareness and, launched on site counselling in collaboration with Sri Lanka Sumitrayo.

Environment



The CBL Environmental Management Policy forms the framework for operations and guides policy to ensure the best interests of stakeholders and environment. Processes adhere to ISO 14001 systems and stringent certification standards that benchmark environmental compliance and performance.

The CBL Group's commitment to environmental sustainability is directed and led by the Board, focusing on managing environmental risk, impact and opportunity by factoring environmental and social considerations to improve environmental performance.

With diversified operations in the food sector, CBL is placed in a strong position to effect meaningful environmentally conscious change in its operations and, teams consistently track, monitor and report internally on key environmental indicators for decision making.

CBL Foods International installed a 1.1 MW PV solar power system in 2020 to fulfill 20% of the total energy requirement of the factory, enabling the company to reduce 1,000,000 KG in emissions annually. Solar panels were also installed at Matara and Kurunegala warehouses to fulfill 75% and 100% of the energy requirements of these facilities respectively. Despite the challenges posed by the pandemic, CBL continued to take steps to optimize energy efficiencies and shift towards cleaner, renewable energy sources.

CBL sources a significant volume of agricultural raw materials from its network of conventional and organic farmers which produce approximately 44,600MT of greens, grains, fruits, coconuts, spices and groundnuts for the Group annually. The agriculture sector in Sri Lanka suffers from low productivity and profitability, inefficient labour utilization, limited diversification, post harvesting losses and limited adaptability to changing climate conditions and, the year 2021/22 posed new challenges for the sector with shortages of required nutrients and agrochemicals. CBL's partnership with the Smallholder Agribusiness Partnership Programme continued to support farmers to access high quality seeds through the seed production programme established

for the purpose. Investments made towards mechanization of harvesting processes through combine harvesters in the previous year generated results for the Group as it continued to focus on improving productivity in farming operations.

CBL utilized drone mapping and other mechanisms to improve planning and monitoring of crops, while reducing chemical fertilizer usage and carrying out intercropping to improve soil health. The Group invested in state of the art Grain Silos and multifunctional dryers for the use of its farmer network, during the year under review, to reduce post harvesting losses, maintain grain quality and store grain for future use. The Group also successfully expanded growing operations to non-traditional growing regions in the North and East provinces of Sri Lanka, minimizing dependencies on traditional growing areas and working with farmers to address climate challenges and inculcate good agricultural practices early on. CBL's agriculture field teams trained 5,900+ farmers this year on good agricultural practices.

The first phase of the SMART agro mobile application was launched this year digitizing registration processes and connecting farmers to CBL's contract terms, benefit management, loan terms and direct technical support from field teams.

CBL also continued to focus on conserving resources and optimizing processes in manufacturing operations, applying internal expertise and innovating to circumvent challenges. Automated dosing systems,

overweight reductions, automation of packaging processes, kaizen projects to improve existing processes were some initiatives implemented during the year, despite a restrictive pandemic environment.

The Group continued to work towards reducing, recycling and reusing materials to minimize waste to landfill or waterway. Partnering with recyclers to develop circular economy solutions for waste, CBL was able to make significant progress in the area of waste management. Projects to produce cement blocks using boiler ash, successfully concluding car park renovation with Plastic Modified Asphalt Concrete (PMAC) paving blocks made from 250,000 recycled waste polythene wrappers, recycling Tetra waste into paper based products and the installation of a new effluent treatment plant were several key projects implemented this year.

Partnering consumer communities to protect the environment is key for CBL to achieve its environmental goals. CBL partnered with the Ministry of Environment to provide 800 collection bins (Eco Boxes) for schools in the Western and Northern provinces to collect and recycle discarded carbon ballpoint pens and toothbrushes. PET recycling projects were initiated at three subsidiaries and, PET waste collected was recycled into value added products. CBL's tree planting initiative was launched to commemorate its 50th Anniversary in 2018 and this year, 1900+ trees were planted in collaboration with various community stakeholders to further these efforts.

Anti-Corruption



The CBL Group is committed to integrity across all its operations and has a strong value based policy framework in place to prevent corruption, bribery, extortion and malpractice. The CBL Code of Conduct embeds the Group's expectations of employees to prevent illegal or unethical practice, conflict of interest, bribery, corruption and inappropriate acceptance of gifts.

CBL's approach to governance aims to increase accountability, improve transparency and benchmark best practices to drive a robust risk aware culture that can create shared and sustained value for all our stakeholders. Internal audit, risk management

and compliance improvements have been effected to provide the necessary comfort to the Board and stakeholders. This year, CBL conducted Group wide awareness on its whistleblowing policy with a direct hotline to the Board Audit Committee Chairman who acts as the whistleblowing respondent.

The General Manager Governance, Risk and Control reports to the Board Audit Committee which oversees the internal audit function and receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. Audits are also outsourced to independent audit firms to assess the efficacy of systems and procedures governing financial reporting, internal control and compliance in conducting business operations.



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