

**PERSEVERANCE  
AND QUALITY**

கம்பளை 125  
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GAMPOLA

**OUR SUCCESS IS  
BUILT UPON  
OUR FOUNDER'S  
NEVER-SAY-DIE  
ATTITUDE**

and their refusal to ever compromise on quality.

While examples of perseverance and our ongoing quest for excellence in quality are scattered throughout the preceding pages, this section pays special attention to aspects of our business which have not been discussed in detail so far.

### **FOCUSING ON QUALITY IN PHARMACEUTICALS**

As mentioned previously, in the pharmaceutical sector, quality, for us means making sure that the end user receives the products we import in perfect condition.

### **Creating a dedicated quality assurance unit during the year was one of several initiatives undertaken to strengthen quality control further.**

Our QA Division is responsible for ensuring that the imported products reach our customers in consumer, modern trade, private hospitals and Government hospitals in optimal condition.

During the year, we also analysed our product and principal portfolios, making the tough decision to discontinue underperforming products and agencies so that we could put greater focus on our star products and partners. Another exercise that took place during the year was the consolidation of our distribution network where we merged centres that were in close proximity while expanding others to better serve the area. We also significantly expanded our central warehouse. In addition, we streamlined team structures to better manage our products.

## **THROUGH OUR INTERNATIONAL PRINCIPALS WE IMPORTED A NUMBER OF NEW PRODUCTS**

to the market for diseases such as diabetes, (we are currently the largest insulin supplier in the country), autoimmune disease, and pigmentation.



In a tough operating environment, which saw the Sri Lankan rupee depreciating and prices for selected molecules being regulated by the Government, we had to act fast in order to secure profitability. We did so by being transparent with our principals, leveraging the strong relationships we had built over the years to secure mutually beneficial agreements. Of the 25 molecules that were selected for price regulation 15 impacted us significantly but where we lost out on price, we were able to make up for in volume thanks to the fact that we were importing in-demand, top-of-the-list brands.

**Using our ties with the Sri Lanka Chamber of Pharmaceutical Industries we also continue discussions with local regulators and Government authorities on the creation of an effective pricing mechanism.**

To ensure the quality of our products we work closely with Internal and External Auditors, acting on their advice to continuously improve the quality of our systems and processes. In addition, we are also audited by our principals on pharmacovigilance and patient safety, and working with them has helped us operate to the highest industry standards.

In return, we provide our principals with direct feedback from our customers on adverse reactions while meeting the highest standards of patient confidentiality. Our principals include Novo Nordisk of Denmark and Zydus Cadila a market leader according to IMS Health data.

**PERSEVERING  
WITH  
HEALTHGUARD**

Through our Healthguard pharmacies we promised consumers a better experience and we are delivering on it. Currently, no other pharmacy chain in Sri Lanka provides the consumer with the kind of experience we do. Harking back to the early days when the Company's founders were stocking their first pharmacy with hard-to-find imported goods in addition to medicines, our pharmacies too offer walk-in customers a range of other items to choose from in addition to the best in medicine.

**The success of Healthguard was down to perseverance, as it took a few years to perfect our business model and attract customers.**

Even today, we do not compromise on quality and trust. To serve our customers better, our pharmacies consist of qualified pharmacists. Soon each of our pharmacies will also consist of nutritionists and beauty advisors who are at hand to provide advice on preventative care. While we pay great attention to sourcing and increasing the range of products on offer, we also focus on the competence of our employees. It is this type of intellectual capital that makes Healthguard a tough act to follow.

# TODAY, HEALTHGUARD PHARMACIES FOCUS ON THREE KEY AREAS:

pharmaceutical products, wellness products (including preventative and curative) and wellness-led beauty products.



Healthguard employees go through 40-50 hours of training and orientation every year.

- For the Healthguard leadership we focus on retail competencies
- For store supervisors, management skills in addition to retail knowledge
- For in-pharmacy employees, we provide customer service knowledge and product knowledge on a weekly basis

Our training and development centre is located right above our Colpetty store so that practical application can be applied, observed and feedback provided to participants.

As a process-driven organisation, operational excellence is of paramount importance to us. We focus on competencies, from people development in all 23 of our outlets to our temperature controlled supply chain and logistics where our products are delivered on time, in full and in optimum condition.

**QUALITY FOR  
CONSUMERS**

# THE BEST MEASURE OF QUALITY IS THE ABILITY TO EXCEED CUSTOMER EXPECTATIONS

Whether we are partnering with other businesses, leveraging Group synergies or ensuring the end-user's experience remains superlative, the one thing we never compromise on is quality. This is why Sunshine Holdings remains the brand of choice for our business partners.



## **Our quest for quality is not limited to our own systems and processes, but extends across the supply chain.**

For instance, in the past, Hatton Plantations faced the issue of maximum residue levels (MRL) in tea being over the accepted limit for countries such as Japan and Germany. As a result, we engaged with our suppliers, banned certain chemicals and agreed on a sustainable model. We also worked closely with smallholders from whom we purchase tea leaves, providing them with clear guidelines on everything from growth of tea bushes to transport of leaves to factory. These steps enabled us to overcome MRL issues. We also implemented a robust system that allows us to trace every batch of tea to its origin. This gives us better control over the ultimate quality of our tea.

In addition, our market studies have shown that unlike other consumer goods such as baby cream or shampoo for instance, tea is not a product that is easily defined because of the tendency for consumers to use or even mix unbranded loose-leaf tea. Maintaining customer loyalty and market leadership in such an environment takes immense effort.

### **Creating a distinct message became vitally important in a market where the distinctness of tea brands is unclear to the consumer.**

So, we created three different messages for each of our brands-an innovative ploy that reinforced market leadership and customer loyalty.

For Zesta, which is our premium tea, our campaign featured an experienced tea master describing how refined the tea is – a unique approach, compared to the sea of advertisements featuring families waking up to a steaming cup of tea.

For Watawala, our mass premium tea, the focus was on being No. 1 tea brand. On the one hand Watawala's communication reinforced the brand's position as the number one brand, while on the other encouraging consumers to examine the packet's manufactured date. This helped to create awareness of the freshness of the brand's tea. Again, this is a message that is unique to Watawala with the tea itself fitting the Sri Lankan palette perfectly in colour, flavour, and aroma.

For Ran Kahata, the tea for our budget-conscious consumer, the message was one that resonated: one spoon – two cups, indicating that the user gets more cups of tea from each spoonful. Ran Kahata is our most recent entrant to the market but showing great promise.

### **DIVERSIFICATION AND SYNERGY**

Capitalising on the diverse synergies of the Group is an area that Sunshine Holdings has shown great aptitude in over the years.

For instance, our consumer business benefits from partnerships with both tea brokers and tea tasters in our agribusiness sector. As tea buying is regulated in Sri Lanka our FMCG business is not able to simply buy wholesale from our own tea estates. After purchasing tea through auctions, the tea for our key brands, Zesta, Watawala and Ran Kahata are blended with the greatest care. This is where Group synergies in the form of tea expertise come into play.

Watawala Dairy stands on a formerly unproductive tea plantation, but the hills on which tea bushes once stood are now covered in grass and dotted with imported cows. Just as much as our dairy farm benefits from the Group's external business partners, it also gains through advice from the leadership of our agribusiness sector – more than half of whom are graduates in environment-related subjects.

Likewise our renewable energy business is able to make use of free roof space across our sectors – especially in the agribusiness sector – while our mini-hydropower plants are located on our plantations.

## SYNERGY ALSO COMES IN THE FORM OF CENTRALISED ADMINISTRATIVE FUNCTIONS

such as human resources, information technology and finance. Centralisation means that our businesses across the Group are able to enjoy professional yet cost-effective services in these areas.



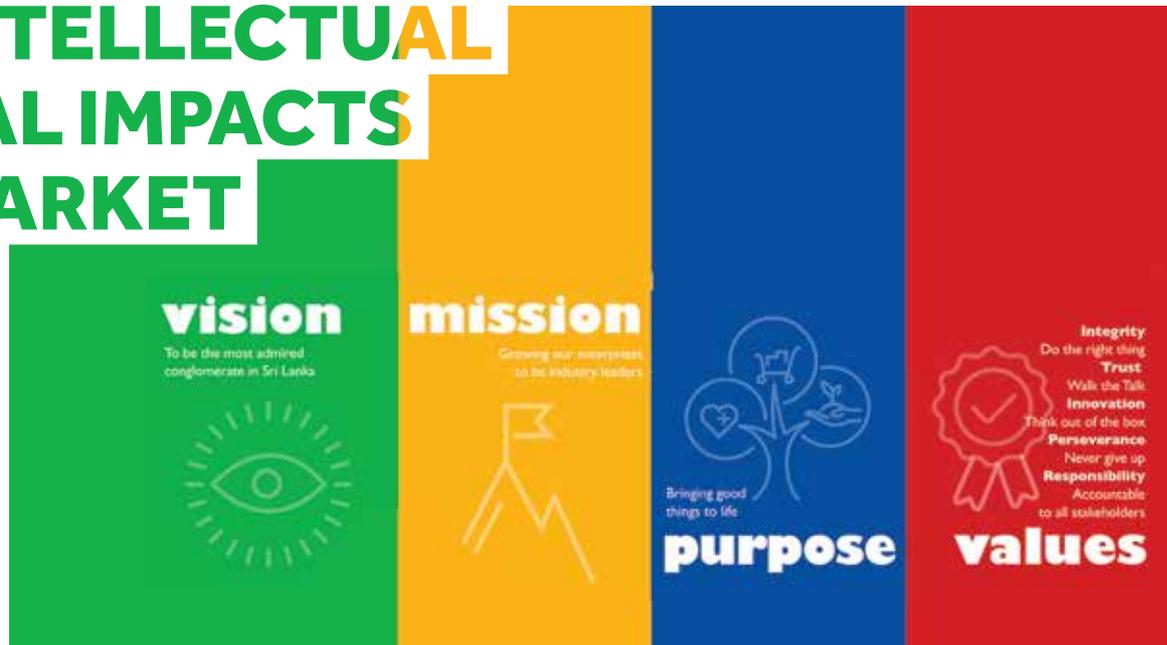
### NURTURING OUR INTELLECTUAL CAPITAL

Our future is already being shaped by the latest business trends such as digitalisation, market disruptors, demographic changes, and increasing concerns about sustainability. These developments, which are taking place at an incredible pace, will certainly challenge conventional business models. In doing so, they make past financial performance less relevant for any assurance of the future potential of a company.

In the past, tangible assets were considered the key driver of a company's value. Today, the corporate sector is very aware of the impact intellectual capital has on the performance of a company. For instance, mismanaging knowledge-based intangible assets can significantly impair a company's value. On the other hand, safeguarding these intangible assets give a company a competitive advantage, future readiness, and the ability to meet stakeholder expectations.

# OUR INTELLECTUAL CAPITAL IMPACTS OUR MARKET VALUE

and is what defines us from the competition, comprising elements such as brand, Vision, Mission, Values, employee knowledge and skills, systems and processes and software.



As described on page 35 under “Boosting employee engagement”, we invest heavily in our people, ensuring they have the skills, experience, and qualifications for the jobs they are responsible for through local and international training and development programmes. Transparency is another big key in our employee strategy. In good times and in bad we remain honest with our people, speaking directly and openly to them at town halls and encouraging and acting on their feedback.

We also focus on technology as described in more detail on page 67 under “Investing in technology”, implementing business intelligence tools, management information systems, and enterprise resource planning systems across the Group to improve operational efficiency.

**We continued to maintain well-acclaimed certifications, during the year under review, to ensure that our conglomerate follows best practices in environmental and social management.**

## THE SUNSHINE HOLDINGS BRAND

While many of our subsidiaries and their products and services have strong brands that are well-known in the market and, indeed, lead the market, the Sunshine Holdings brand itself is not well associated with them. This is a trend we hope to change in the near future. Our focus will be to strengthen the brand for both investors and employees.

Our logo is inspired by the conch which has been designed to resemble the “sun” in our corporate name. The image is a powerful representation of the Sunshine Holdings conglomerate – a vibrant energy source which powers the creation of value. The four colours on the conch reflect our corporate values: red for integrity and innovation, yellow for perseverance, green for responsibility, and blue for trust.

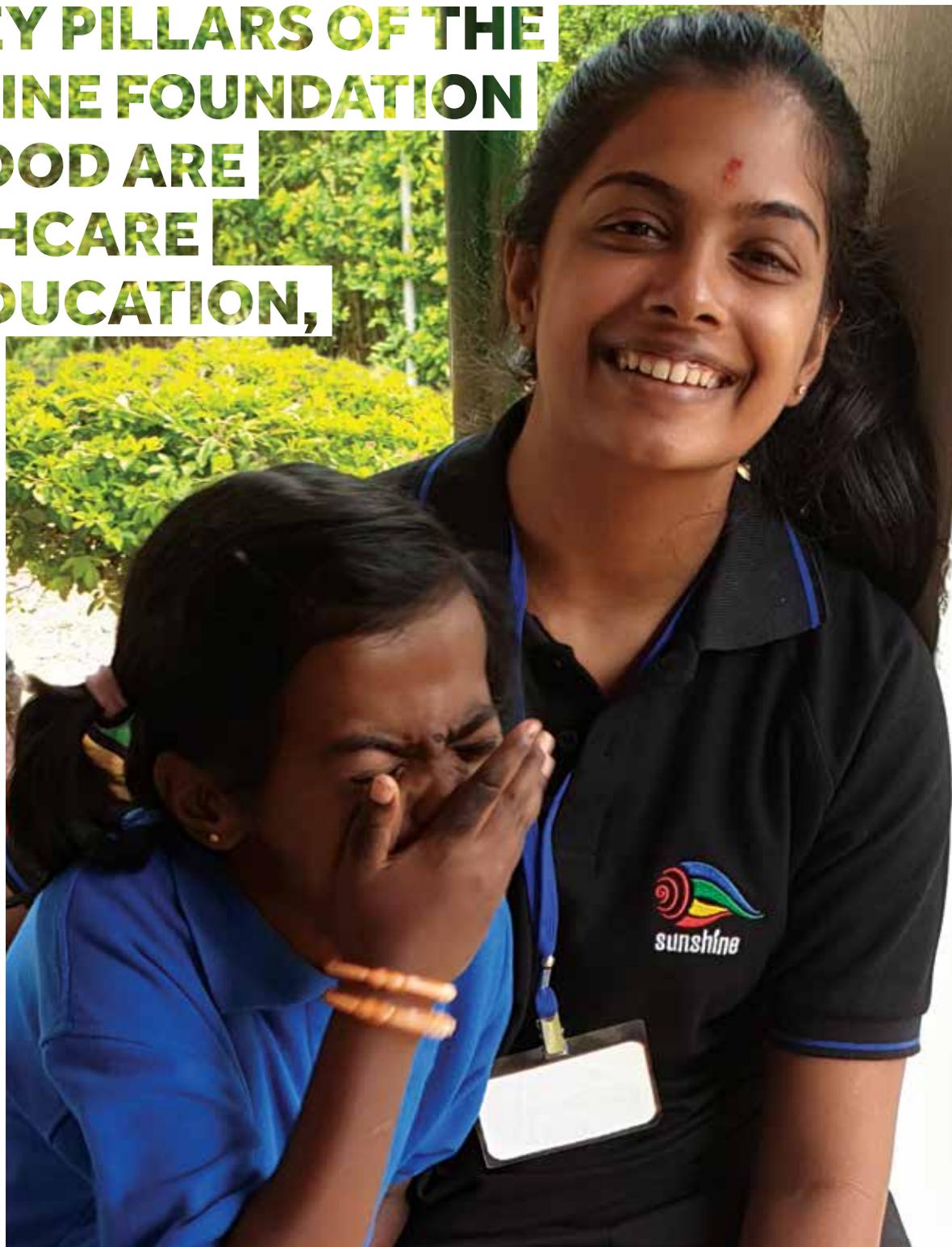
Our logo also stands for the diversity within, with Sunshine Holdings being a beacon that attracts diverse people who come together for the common purpose of value creation.

**SUNSHINE  
FOUNDATION  
FOR GOOD**

Launched during the previous reporting year, the Sunshine Foundation for Good has been the catalyst for well-planned initiatives aimed at giving back to the communities within which we operate. (Refer page 49 under "Intensifying our social capital" for more details of our community-related projects.) It was founded as a result of our business strategy to integrate Corporate Sustainability in a more holistic manner.

## THE KEY PILLARS OF THE SUNSHINE FOUNDATION FOR GOOD ARE HEALTHCARE AND EDUCATION,

and going forward our corporate social responsibility (CSR) initiatives will be organised under these two main pillars. Our Care Centre for differently-abled children commemorated its first anniversary during the reporting year.



The Sunshine Foundation for Good was initiated to centralise all CSR efforts. This initiative is spearheaded by the Group through a sustainability committee and a project chair who is committed to drive change towards sustainability. The Foundation is registered as a separate business entity of Sunshine Holdings PLC in order to better handle management, allocate funds and monitor the overall purposes of the CSR efforts.

## OUR AWARDS

The outcome of living by our values is the ability to provide a service offering that is unique and differentiated. During the year under review we received recognition in the following manner:

- Top 10 – Most Admired Companies of Sri Lanka – 2018 – CIMA and ICCSL
- Top 30 – Business Today Top 30 – Business Today Magazine
- Bronze Award – 54th Annual Report Awards, CA Sri Lanka
- Most Popular Hot Beverage Brand of the Year - SLIM Nielsen People's Awards (Watawala tea)
- Gold Award – Social Dialogue Awards 2018 - Ministry of Labour and Trade Union Relations (Plantations)
- Second place – Best Institute for the Care and Development of Differently-Abled – Ministry of Social Welfare & Primary Industries (Plantations)
- Second runner up – Best Tea Producers for up-country Dimbula district – T.E.A. AGM (Plantations)

### Top 10 – Most Admired Companies of Sri Lanka – 2018 – CIMA and ICCSL



### Top 30 – Business Today Top 30 – Business Today Magazine



### Most Popular Hot Beverage Brand of the Year – SLIM Nielsen People's Awards (Watawala tea)

