



Sri Lanka Telecom  
One Country. One Voice.

**Sri Lanka Telecom PLC**  
**Sustainability Report 2013**

changing  
your world

Changing  
Your  
World.

# Management discussion & analysis

## > Report Profile

This integrated report is designed to capture the performance of Sri Lanka Telecom (SLT) for the year ended 31st December 2013. Underpinning SLT's commitment to derive a sustainable business model, the report presents a comprehensive coverage of both financial and non-financial aspects of the business, demonstrative of SLT's promise to generate meaningful value for all stakeholders associated with the business. As such, the report aims to convey SLT's strategic priorities, operational and functional highlights, governance mechanisms, financial highlights and corporate accountability aspects that impact on all stakeholders including shareholders, customers, employees and business partners.

Any inquiries or suggestions regarding this report should be directed to:

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Email: mathukorale@slt.com.lk

## > Scope and Boundary of the Report

Prepared in accordance with the Global Reporting Initiatives (GRI) G3.1 Level B.

In addition to a comprehensive coverage of SLT's activities, the report also covers the performance of the following subsidiary companies:

- SLT Human Capital Solutions (Private) Limited
- SLT Property Management (Private) Limited
- SLT Publications (Private) Limited
- SLT VisionCom (Private) Limited
- Sri Lanka Telecom (Services) Limited
- SKY Network (Private) Limited
- Mobitel (Private) Limited

**In preparing our first integrated report we have sought to tell our story of the year ending 31st December 2013 in a comprehensive and concise manner.**



**Exceeding  
6.5 million  
customer-base  
of fixed, mobile,  
broadband, PEO TV  
users**

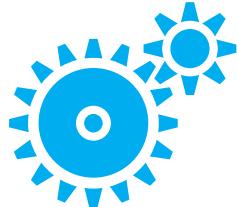


Powering a rising economy

## > Defining the Report Content

The report content has been defined using the criteria laid out under the GRI guidelines for sustainability reporting. All information contained herein has been obtained from the following sources

- Governance and risk information from the Governance boards
- Financial information from Finance Department
- Business performance information obtained at divisional level
- Sustainability information, CSR project information and data obtained from Corporate Group
- HR information and data obtained from the Human Resources Group
- Environmental data obtained from the Network and Administration Groups
- Information regarding the performance of subsidiaries obtained from relevant subsidiaries



**By focusing on the fundamentals and keeping a tight grip on risks and costs, we can continue to deliver a distinctive combination of growth and returns for our investors.**

While demonstrating our commitment to sustainable progress, the report aims to highlight SLT's policies and practices that ensure business operations are conducted profitably and responsibly, in a manner that conveys value to all direct and indirect stakeholders associated with SLT.

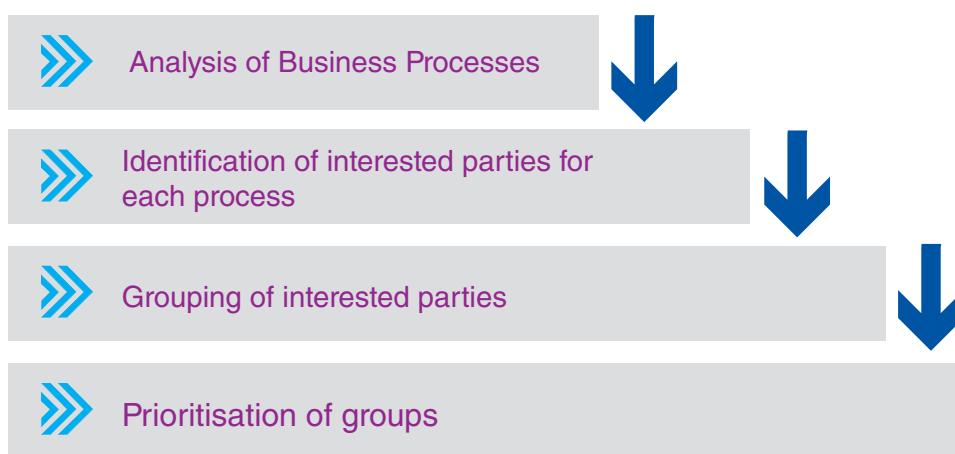
## > Stakeholder Identification Process

Given the nature and scope of the business, SLT's operations continue to impact the lives of most Sri Lankans in some way or the other. Despite the vast numbers, SLT remains committed to fulfil the expectations of all stakeholders linked to the business. A common problem that arises with having numerous stakeholders is that their various self-interests may not be aligned and may in fact be in conflict with each other. The stakeholder identification process plays a pivotal role in bridging this gap. Identification and prioritisation of the needs of each such stakeholder cluster remains the key to facilitating short term needs and long term value transference, where a systematic approach to stakeholder mapping forms the basis of all interactions.

The identification process is followed by an analysis of strategies best suited in order to build relations, as well as the allocation of responsibilities, within the company towards engagement.

## > SLT's approach to Sustainability

SLT's approach to sustainability underscores the importance of developing a sustainable business model that would convey meaningful value to all stakeholders of the business. By understanding pertinent social and environmental issues that persist in the modern commercial landscape, SLT continues to incorporate these aspects into the overall focus of the organization. This ubiquitous attitude to sustainability has redefined the way in which SLT conducts its day-to-day business. Moreover, a sustainable operational blueprint of this nature remains the only way to justify economic value for all corporate stakeholders, while simultaneously safeguarding the environment and also ensuring meaningful societal change.



## Management discussion & analysis

SLT's Sustainability Matrix					
Triple Bottom Line Criteria	Economic		Social		Environmental
Stakeholder Group	Shareholders	Customers	Employees	Society	Environment
	Delivering long term sustainable economic benefits	Developing sustainable technology solutions Ensuring superior service standards	Ensuring equal opportunity and diversity Ensuring sustainable skills and competency development	Community empowerment Capacity building in line with national development goals	Reduction in the carbon footprint Energy efficiency
SLT's Approach to Sustainability	Strengthening the national economy through a robust ICT infrastructure that would empower businesses and create employment	Customer relationship management	Improving employee engagement and rapport	Uplifting society • Improving quality of life • integrate communities	Water management
		Develop transparent, responsible sourcing	Reshape employee attitudes to ensure long term sustainable goal congruence		Waste reduction
	Introduce pioneering technology that provides holistic end-to-end communication solutions and a competitive edge		Ensuring employee health and safety Ensuring employee well-being		

Sustainability Management Framework				
Sustainability strategy	Stakeholder management	Risk management	Governance	Reporting

### > Understanding the relevance of Material Aspects

Materiality assessment parameters set out by the GRI guidelines have been established to determine the areas that are material to the business. Each material aspect is observed in relation to its relevance either to the organization

or to society as a whole. By mapping these internal and external drivers against organisational performance, the exercise aims to gauge the triple bottom line impact

resulting from these material aspects, which in turn help to assign the strategic focus of the business.

<b>Relevance to the organization</b>	Potential short- and long-term business impact	Sustainable infrastructure	Building national ICT infrastructure and creating a sound business framework to support the future plans of the company and the country	Shareholders, employees and regulatory authorities
	Ethical relevance and policy considerations	Reaching diverse markets	Introducing timely, relevant technologically advanced ICT solutions that enhance connectivity and empower businesses, eg: managed services, cloud computing and modern IPTV entertainment platform	Shareholders and customers
	Peer practices and accepted social norms	Product responsibility	Promoting best practices across the value chain through high-end enterprise, SME and wholesale solutions and domestic triple-play services together with attractive product enhancements	Shareholders, employees, suppliers and customers
	Stakeholder reactions and reputational risk	Developing a multi-disciplinary, knowledge-based talent pool	Nurturing manpower resources to drive long term sustainable progress for SLT	
<b>Assessment Criteria</b>	<b>Material Issue</b>	<b>Reason for Materiality</b>		<b>Material Stakeholder Group</b>
<b>Significance to society and other stakeholders</b>	Awareness of issue	Broadening community access	Empowering communities by introducing most suitable technologies to ensure cost and maintenance efficiency	All rural and provincial communities across the country
	Evidence of impact	Product responsibility	Contribute to national economic development through greater broadband availability and affordability together with significant product enhancements that cater to multiple customer segments	Customers
	Industry and competitor response	Environmental management and resource efficiency	Following through on the national pledge to reduce the impact of the Group's carbon footprint by employing efficient utilisation and effective waste management practices that have a minimal impact on the environment	Society as a whole
		"Think Green" Technology	Applying environmentally friendly practices and promoting "Green" based technologies while promoting an online working environment and digital lifestyle to minimize user-generated carbon emissions	National economy and society as a whole
		Community empowerment and capacity building	Commitment to deliver meaningful change to society in line with national development priorities. Promote CSR activities that contribute to education, national ICT development and support infrastructure capacity building for industry peers in order to minimize investment duplications by peer operators	National economy and society as a whole

## Management discussion & analysis

### > Stakeholder Engagement

Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
<b>» Customers</b>				
Improve customer relationship and retention	<ul style="list-style-type: none"> <li>One-to-one interactions</li> <li>Contact Centre</li> <li>Engage and interact through the website and social media</li> <li>Mailers</li> <li>Newsletters</li> <li>Brochures</li> <li>Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>Regular basis</li> <li>Regular basis</li> <li>Regular basis</li> <li>Monthly basis through the bill</li> <li>Need-based</li> <li>Need-based</li> <li>Quarterly and need based</li> </ul>	CMO CRO CEO - VC CEO - Publication	Quarterly Brand Health Track Study  Regional Account Management Customer gathering
Improve SME customer relationship and retention	<ul style="list-style-type: none"> <li>Proposals by regional sales staff</li> <li>SME Customer Forums</li> <li>Customer visits and meetings</li> <li>Product awareness programmes</li> <li>ICT workshops for SME business owners and IT Managers -</li> <li>Market surveys</li> <li>Newsletters</li> </ul>	<ul style="list-style-type: none"> <li>Regular basis</li> <li>Once in two months</li> <li>Regular basis</li> <li>Regular basis</li> <li>Monthly</li> <li>Need-based</li> <li>Once in two months</li> <li>Once a year</li> </ul>	CMO CRO CEO - Publication	SME forums Field sales campaign
Improve enterprise customer relationship and retention	<ul style="list-style-type: none"> <li>Proposals by sales staff</li> <li>Enterprise Customer Forums</li> <li>Customer visits and meetings</li> <li>Newsletters</li> </ul>	<ul style="list-style-type: none"> <li>Regular basis</li> <li>Quarterly</li> <li>Regular basis</li> <li>Need-based</li> </ul>	CEWO	Enterprise forums
<b>» Dealers</b>				
Strengthening brand presence and improving sales	<ul style="list-style-type: none"> <li>Dealer meetings</li> <li>Dealer satisfaction surveys</li> <li>Dealer review and awareness sessions</li> <li>Dealer reward programmes</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Quarterly</li> <li>Need based</li> <li>Quarterly</li> </ul>	CMO CRO	Dealer convention
<b>» Business partners</b>				
Better return, innovation and industry growth	<ul style="list-style-type: none"> <li>Partner meetings</li> <li>Projects and events</li> <li>Post evaluation reviews</li> </ul>	<ul style="list-style-type: none"> <li>Need based</li> </ul>	CEWO CEO – VC CNO CRO	

Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
<b>» Employees</b>				
Employee welfare, satisfaction and retention	<ul style="list-style-type: none"> <li>• Employee satisfaction survey</li> <li>• Change management initiative – Group meetings and one-to-one meetings</li> <li>• Information sharing through Intranet</li> <li>• Change management ideas, feedback and engagement through the intranet/change web page</li> <li>• Employee affinity</li> <li>• Grievance handling</li> <li>• Transfer handling</li> <li>• Emails</li> <li>• Notice boards</li> <li>• Cultural and religious associations</li> <li>• Award ceremonies</li> <li>• Involvement in community projects</li> </ul>	<ul style="list-style-type: none"> <li>• Regular basis</li> <li>• Regular basis</li> <li>• Regular basis throughout the year</li> <li>• Annually</li> <li>• Need-based</li> <li>• Need-based</li> <li>• Regular basis</li> <li>• Regular basis</li> <li>• Need-based</li> <li>• Annually</li> <li>• Need-based</li> </ul>	CHRO CCO	“Change” programme and internal communication campaigns
<b>» Shareholders</b>				
Dividend, innovation and industry growth	<ul style="list-style-type: none"> <li>• Quarterly results</li> <li>• Annual report</li> <li>• Sustainability report</li> <li>• Annual general meetings</li> <li>• CSE fillings</li> <li>• Media releases</li> <li>• Rating reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Annually</li> <li>• Annually</li> <li>• Annually</li> <li>• Need-based</li> <li>• Regular basis</li> <li>• Annually</li> </ul>	Company Secretary CCO	AGM and rating reviews to rating agencies
<b>» Suppliers</b>				
Better return, innovation and industry growth	<ul style="list-style-type: none"> <li>• Procurement policy and vendor selection process</li> <li>• Vendor satisfaction surveys</li> <li>• Vendor review and awareness sessions</li> <li>• Vendor reward programmes</li> <li>• Quality improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Need-based</li> <li>• Annually</li> <li>• Annually</li> <li>• Annually</li> <li>• Regular basis</li> </ul>	CAO CEO - Publications	Awareness on new business strategy and culture
<b>» Government</b>				
Investment & infrastructure development, better return, innovation and industry growth	<ul style="list-style-type: none"> <li>• Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies</li> <li>• Annual report and quarterly reports</li> <li>• Strategy and operational presentations</li> <li>• Media releases</li> <li>• Customer forums</li> </ul>	<ul style="list-style-type: none"> <li>• Need-based</li> <li>• Annually and quarterly</li> <li>• Need-based</li> <li>• Weekly basis</li> <li>• Annually</li> </ul>	CCO  CEO - Publication	Monthly meeting with the regulator  Forums

## Management discussion & analysis

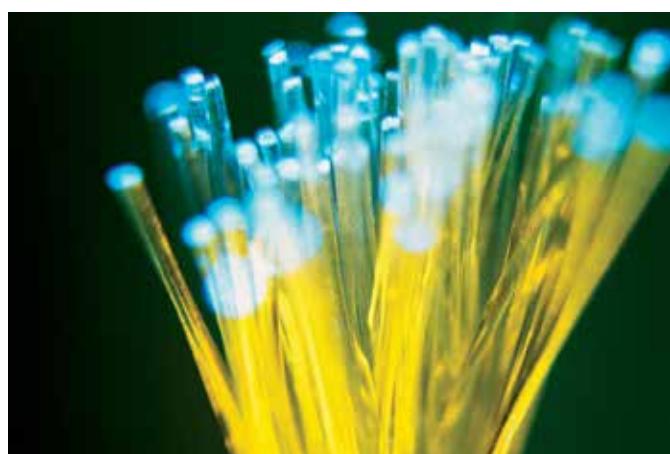
Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
<b>» Media and pressure groups</b>				
Quality affordable service with good after sales service, investment and infrastructure development, innovation and industry growth	Meetings Briefings Media releases Website Social media Mailers	Need-based Need-based Weekly basis Regular basis Regular basis Monthly bill	CCO CMO	Website revamp and social media and media relations drive
<b>» Community</b>				
Community investment and infrastructure development	Community projects Media releases Website Social media Mailers Events and activations	Monthly Weekly Regular basis Regular basis Monthly bill Need-based	CCO CMO	Website revamp and social media drive

**Sri Lanka's position in the "Doing Business Index" moved up to 81st place in 2013, up 8 places from the ranking achieved in the preceding year.**

### > Governance

Good governance remains the cornerstone to creating a sustainable business model to ensure consistent results in all spheres of the business. While statutory and regulatory compliance is only a minimum standard, SLT's clearly defined policies and practices form the basis of an uncompromising governance framework that underpins sustainability goals of the business. Leading by example, SLT's clear concise communications,

ethical code of conduct and transparent reporting practices, demonstrate the strong commitment to fulfill sustainability goals and transmit long term economic, social and environmental value. For further details on SLT's comprehensive governance mechanism, please refer the Corporate Governance Report, captioned on page 98 to 107 of this report.



Highest reliability through fibre optic technology

## > Macro-Economic Highlights

The year 2013 was one of steady growth for Sri Lanka's economy which continued to perform as expected, in correlation to the stable growth patterns established in the preceding year. Building on solid economic fundamentals, the country's economy expanded well, to post robust GDP growth during the year. Moreover, the well managed macro-economic policies applied by the GoSL helped curb inflation during the year, with rates being restricted to single digit levels throughout 2013. The benefits of this managed growth model translated into a lower unemployment rate and improved labour productivity as measured by GDP per worker. Meanwhile, the gap in the poverty head count index further narrowed during the year, indicative of the overall improvement in livelihoods among the general population. With the business and consumer confidence index also showing signs of definite improvement, Sri Lanka's position in the "Doing Business Index" moved up to 81st place in 2013, up 8 places from the ranking achieved in the preceding year.

Building on the post-war growth momentum, the GoSL led infrastructure development programme was also accelerated during the year. Laying much of the groundwork for a spate of massive development, the GoSL activated a series of large scale projects including the development of highways and other express ways, city development and modernization projects and port and airport development initiatives etc. Meanwhile, initial negotiations also commenced to introduce a mega integrated resort facility to upgrade the country's profile on par with regional tourist destinations.

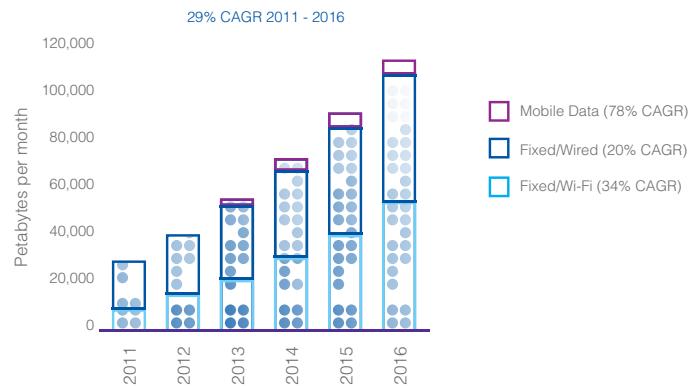
These efforts are widely seen as complementary to the massive tourism development drive which aims to attract 2.5 million tourists by 2016. With the tourism industry growing steadily, this target appears an achievable one, given that tourist arrivals for the year significantly overshot expected targets to reach 1.27 million arrivals as at the end of the year. Meanwhile, on par with developed economies, Sri Lanka's overall youth literacy rate also reached an all-time high. While being a key driver of ICT growth in the country, the YoY growth in the IT literacy rate is indicative of the country's potential to transform into a regional ICT hub in the years ahead.

## > Global Telecommunication Trends

The dynamism of the global telecommunications industry in the recent past has completely revolutionized conventional practices. Consequently, the advent of mobile and data substitutions have lessened the demand for traditional voice services where industry growth is now predominantly driven by data mediums, with the internet being held largely responsible for creating a "SMART World".

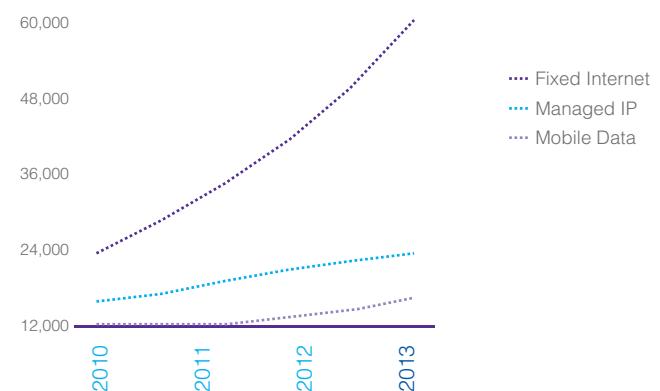
**SLT's clear concise communications, ethical code of conduct and transparent reporting practices, demonstrate our strong commitment to fulfil sustainability goals and transmit long term economic, social and environmental value.**

### Global IP Traffic Petabytes per month



Source: Cisco VNI Global Forecast, 2011-2016

### Global IP Traffic Petabytes per month\*



Source: Cisco Visual Networking Index 2011. \*Petabyte =  $10^{15}$  bytes

However, despite average global internet penetration reaching 40% by the end of 2013, large chunks of Asia and Africa remain unconnected.

## Management discussion & analysis

Investing in new infrastructure and technology remains the key to improving connectivity levels to reach a wider geographical periphery, while also fulfilling the growing appetite for higher speed and greater broadband economy.

### > Overview of the Telecommunication Industry in Sri Lanka

Sri Lanka's telecommunications industry too has mirrored many of these global trends, with rapid growth observed in both fixed and mobile broadband penetration levels leading to a considerable growth in the volume of internet subscriptions across the country.

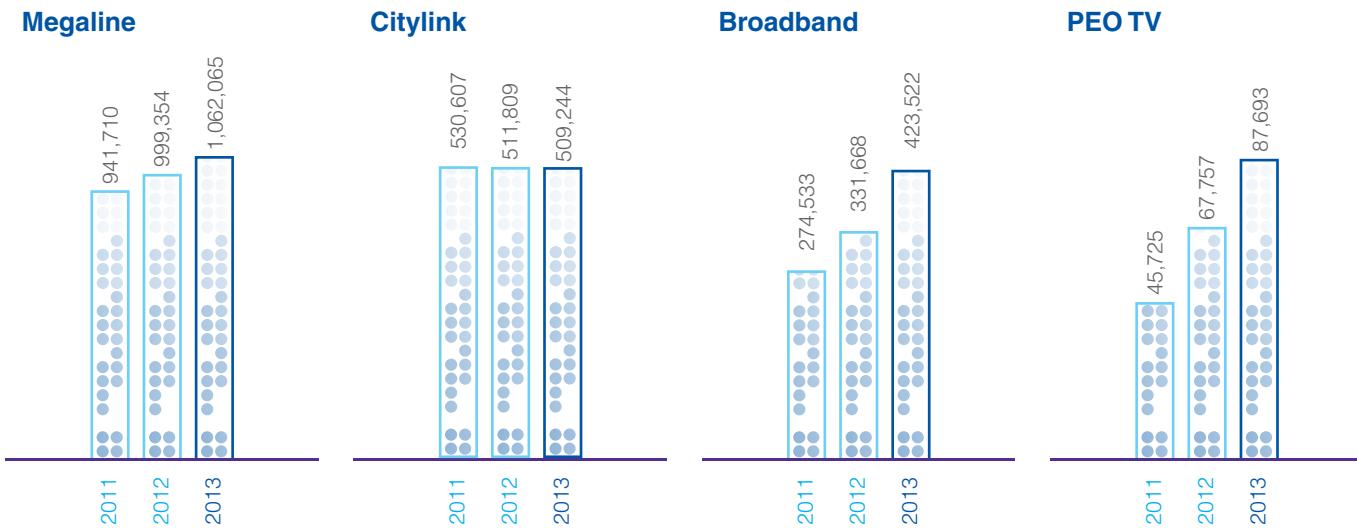
Type of Operator	No. of Operators
Fixed Access Telephone Service	3
Cellular Mobile Phones	5
Data Communications and ISPs	15
External Gateway Operators	10

» Number of System Licenses	43
» Total number of fixed phones	2,732,423
» Number of cellular mobile subscribers	20,234,698
» Mobile subscription per 100 people – 2013 Sep	98.78
» Internet and email subscribers - fixed	437,725
» Internet and email subscribers - mobile	1,037,901

General Statistics – Telecommunications industry Sri Lanka

Source : TRCSL

### > Customer base growth



**World class ICT infrastructure and solutions would undoubtedly have a positive impact on expanding the productive capacity of the economy, while facilitating sustainable economic growth in Sri Lanka**

The growing appetite for broadband services has also resulted in the demand for wider coverage, together with greater economy and affordability of broadband services. The only way to achieve this is through robust infrastructure capabilities vis-à-vis superior fibre optic networks that would drive the broadband revolution across Sri Lanka in line with the GoSL's long term ICTA objectives.



### **The Case for Developing the National ICT Infrastructure**

Vast economic benefits can be realized through reliable telecommunication infrastructure, capable of adequately catering to the immediate and long term information technology needs of a developing nation and that seeks to tap into global ICT markets. Improved ICT infrastructure has the potential to enable a smarter workforce and improve efficiencies through reduced travel. Fast and easy access to government and other information services produce a well-informed population, enable high quality jobs and educated citizens to these opportunities, paving the way for poverty alleviation through life-long learning.

Needless to say, ICT is not a magic pill, neither is it an alternative to other development investments, but if applied in conjunction with other initiatives, ICT would play a pivotal role in Sri Lanka's development agenda. Moreover, world class ICT infrastructure and solutions would undoubtedly have a positive impact on expanding the productive capacity of the economy, while facilitating sustainable economic growth in Sri Lanka

Global Network Readiness Index: Sri Lanka's ranking

**72<sup>nd</sup>  
in 2012**      **69<sup>th</sup>  
in 2013**

Lowest Price for entry level broadband:  
Sri Lanka's ranking

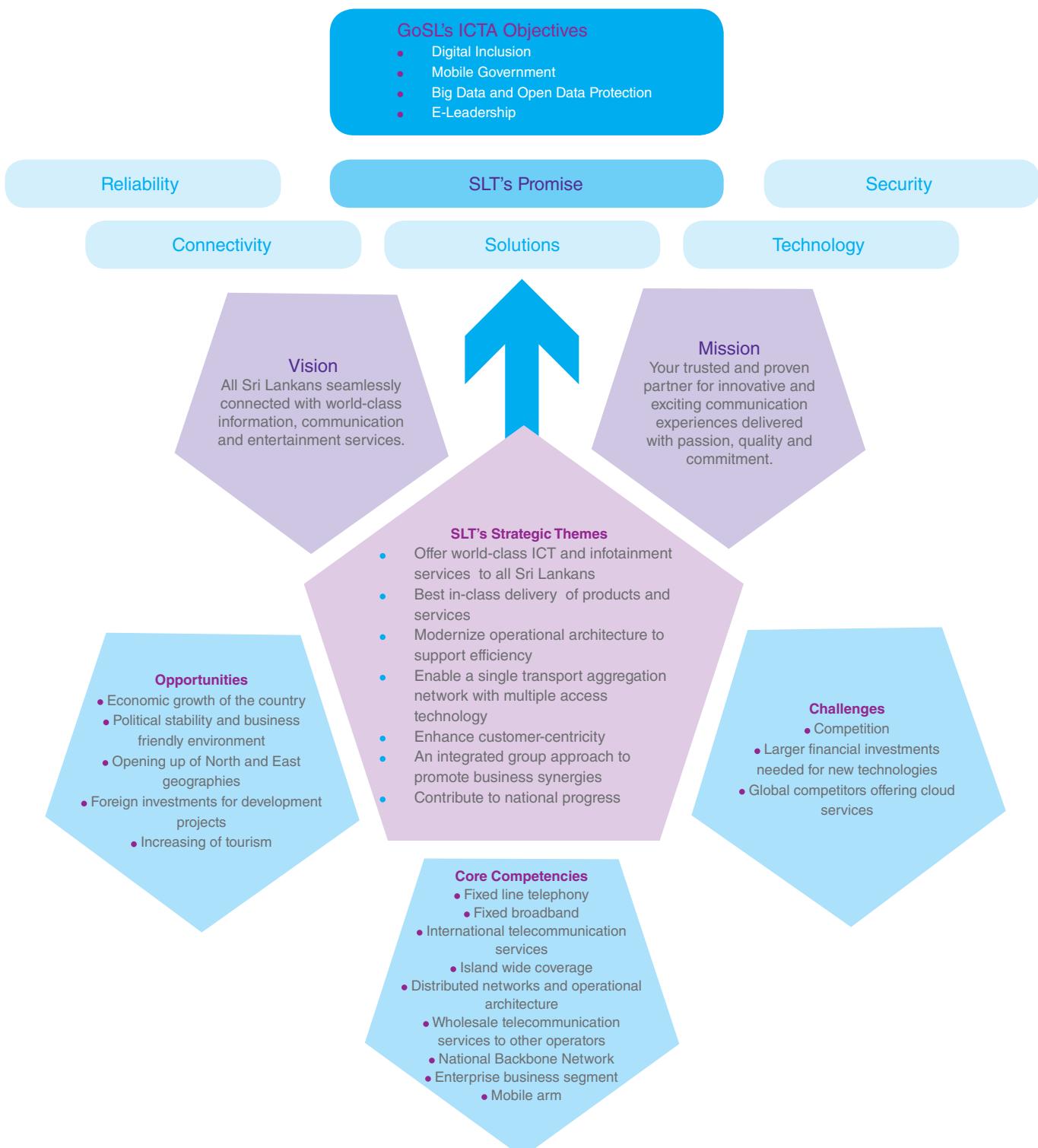
**Lowest  
in the entire world**



Empowering ICT education

# Management discussion & analysis

## > Enabling a future ready nation – SLT's active participation



## > Supporting Sustainable National Progress – National Backbone Network (NBN)

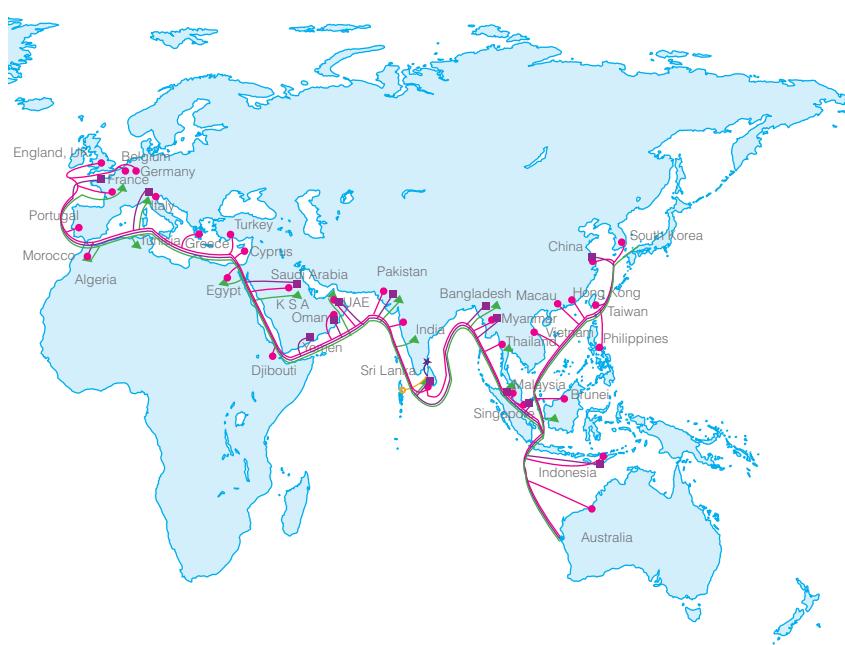
To cover all 329 Divisional Secretariats within the next 5 years.

Facilitate Backbone connectivity across Sri Lanka for all operators.

- High-speed connectivity.
- Uninterrupted access to services. (e-learning, e-health, e-commerce)
- Highest redundancy

Broadband Access to Services

- xDSL, Metro Ethernet/ IP-VPN, Wi-Fi, LTE
- Improved accessibility to services
- More affordable services



### Sri Lanka's Global Connectivity

- SEA-ME-WE - 3
- SEA-ME-WE - 4
- SEA-ME-WE - 5 (New cable system scheduled to commence operations by 2016)
- Dhiraagu - SLT
- Bharat - Lanka



## Transforming Lifestyles

The complexities of modern lifestyles have led to the increased dependency on broadband services for daily business, educational and social lives. Internet users are now generating content and uploading them onto the web to be shared within their circles of friends. This can only be done with the wide deployment of the broadband network. Obviously, broadband has become the most critical infrastructure in modern society. Not content with the current broadband services on offer, consumers continue to demand greater digital economy. Sophisticated ICT infrastructure and services remains the only way to fulfil the insatiable demand for connectivity, while supporting parallel platforms for interactive television, distance learning, online education, e-health, and opportunities for Cloud Computing, private business networking and much more at superior speed, with high quality and reliability.

## > Upgrade of the SEA-ME-WE 4 Cable

Commissioned in 2005, the SEA-ME-WE 4 cable system is an ultra-high-capacity fibre optic submarine cable system that uses linear and ring fibre network architecture to link South East Asia to Western Europe via the Middle East. Measuring approximately 20,000 kilometres and equipped with a total of 16 cable landing stations, the SEA-ME-WE 4 cable network is owned by a consortium of 17 leading telecom carriers spread across 15 countries. Dhiraagu-SLT and Bharat-Lanka are some of the key partnerships that have resulted from the operation of this SEA-ME-WE 4 cable system.

## Management discussion & analysis

During the year, SLT took proactive steps to upgrade the SEA-ME-WE 4 cable and expand network capacity for all 16 landing stations, enhancing the capabilities of the system by almost threefold to accommodate speeds of up to 100 Gbps. Having selected the contractors for the assignment, the system upgrade was commissioned in 2013 and is expected to be available for commercial use by the end of 2014.

Sustainable Technologies - Introducing Next Generation Networks (NGN)  
SLT's Communication Backbone (Core Network)

NGN is an optical fibre based backbone network that extends the network edge closer to the customer. The customer premises are connected through fibre or copper connectivity; therefore "SLT broadband" is a fibre based broadband service. This, together with other network modernization efforts, has enabled SLT to provide very high speed connectivity and many other next generation network features to its customers. This broadband initiative will

**SLT took proactive steps to upgrade the SEA-ME-WE 4 cable and expand network capacity, enhancing the capabilities of the system by almost threefold to accommodate speeds of up to 100 Gbps.**

enable customers to experience the consistent, uninterrupted high speed internet services delivered on the network while enjoying services like high speed internet browsing, large file downloads, cloud computing, voice over IP, IPTV, online music, video conferencing, high quality video on demand, music on demand etc., instantly at the click of a link.

### > Next Generation Access – i-Sri Lanka Initiative

An ambitious project conceptualized to facilitate unlimited access at unprecedented high speeds, the i-Sri Lanka initiative aims to deploy superfast broadband access with minimal disruptions. Using fiber-to-the-cabinet (FTTC), fiber-to-the-building (FTTB) and fiber-to-the-home (FTTH) that extends connectivity via Multi-Service Access Nodes (MSANs) located in close proximity to the desired location, the i-Sri Lanka programme expects to deliver uninterrupted connectivity at all times. Literally transforming the internet experience of users, FTTH connectivity supports download speeds of between 40 Mbps and 100 Mbps, thereby increasing reliability and quality of broadband data speeds while significantly reducing maintenance and replacement costs.

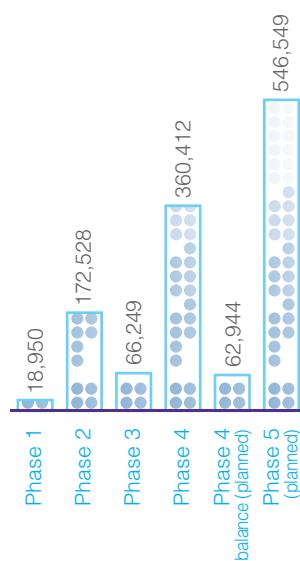
Having commenced the deployment of high speed capabilities in 2010, the i-Sri Lanka project continues to progress steadily with 50% of the island-wide FTTC deployments completed as at the end of 2013, while more than 90% of the work is expected to be completed by 2014.

### Supporting future growth and diversity - SEA-ME-WE-5 project

A new strategic investment in 2014, would see the laying of the SEA ME WE 5 international undersea cable system operating on OTN/DWDM technology that supports multiple wavelengths in each 100G capacity, in one single core pair of submarine cable. With the participation of over 18 international countries, SMW5 consortium extends its reach from East (Singapore) to West (France). An ambitious project that entails building a double landing cable station strategically located in Matara in contrast to the existing single landing cables of SMW4 and SMW3 located in Colombo and Mt.Lavinia respectively.



### NGN migration - phase by phase progress





Building country's ICT infrastructure

### > SLT's Service Assurance and Customer Fulfilment

The revamping of the customer service infrastructure in 2010 marked the commencement of SLT's envisioned journey to pursue a new service dimension that would convey the next generation service levels to all customers. Encompassing a gamut of customer service offerings under one umbrella, the new model would challenge conventional wisdom and seek to offer the best In-class end-to-end solutions for all manner of ICT requirements. With much of the operational structure already revamped, the next phase of this customer-centric transformation agenda was rolled out in 2013. Involving a massive cultural shift that would underpin human behavioural aspects, the transformation agenda would likely be a huge challenge. To begin the monumental process of change, a comprehensive roadmap was drawn up to outline the way forward. Using world renowned change management tools to enable the desired change, SLT proceeded to follow a strict itinerary to integrate the required behavioural changes. Firstly the need for change was conveyed to create awareness and encourage participation among SLT's staff. Seen as an ideal opportunity to ensure employee goal congruence in line with corporate objectives, the changeover process strongly encouraged employee participation at every stage. Advocating the desire to participate and support change, SLT's customer-centric transformation is an inclusive strategy that aims to imbibe a versatile new service culture which would transmit meaningful value for both direct and indirect stakeholders associated with the business. Several initiatives were taken by the Regional Group during 2013 to improve the service provisioning and service assurance processes.

- **Enhancing the work force management system for OPMC field teams**

The Work Force Management system for OPMC field teams, which was used in a limited scope in selected areas, was enhanced to cover all field teams by introducing smart phones for the teams and by modifying the software platform. This is expected to further improve the fault clearance rate and thereby improve customer satisfaction.

300 Net-book computers were also distributed among field teams during 2013, which effectively increased the capabilities of staff attending to Broadband and PEO TV product related maintenance duties. A parallel programme of improving the technical skills of field teams engaged in attending to Broadband and PEO TV related service issues was also implemented with the support of a series of training and development programmes.

- **Augmenting the PEO TV Customer Support Unit**

The Broadband Customer Support Unit, which provides online technical support to SLT Broadband and PEO TV customers, was strengthened by adding more customer service agents and supported systems. Furthermore, higher-level Broadband troubleshooting capabilities were developed in Regional Teams to ensure more faults can be rectified even without customer visits. All these initiatives led to significantly high Broadband troubleshooting and fault

**Encompassing a gamut of customer service offerings, the new model would challenge conventional wisdom and seek to offer the best in-class end-to-end solutions for all manner of ICT requirements.**

management rate, SLT's primary customer satisfaction index, which peaked to its highest level in two years, during December 2013.

A daily progress reporting system was initiated during 2013 with the support of the Information Security section, which enabled all operational units to track their performance in real-time. This helped improve the percentage of new connections delivered within the promised time, and thereby increased customer satisfaction levels.

- **Tools Day Programme**

Use of proper tools and test equipment is a major factor contributing to improving the quality of service provisioning and service fault restoration. A continuous process of identifying tools and test equipment requirements was carried out during the year and the availability of essential tools was ensured at all times. A special 'Tools Day' programme is held annually to distribute tool bags and other equipment and raise awareness of proper usage of tools among the Regional Group staff.

## Management discussion & analysis

- Enhancement of CPE Repair Centres**

The CPE Repair Centres operational under the Regional Group were reorganized under a single section during 2013. The operations of these repair centres were further enhanced by providing the necessary infrastructure and technical skills for staff, especially for CDMA CPE repairs. This helped the company save a significant amount that was previously spent in repairing CDMA CPE through external parties.

- > Commitment to the Triple Bottom Line**

SLT's sizable influence on the national economy serves to underscore the importance of working to attain sustainable value for all stakeholders associated with the business. While achieving a balance between commercial success and long term sustainability objectives, SLT's commercial aspirations are deeply interlinked to the pursuit of a sustainable business platform that would cultivate meaningful economic, environmental and social change in the future. Moreover,

a proactive attitude to sustainability prompts an integrated approach that aligns corporate goals to sustainability initiatives and sets the benchmark for responsible stewardship to ensure the commitment to the triple bottom line. Firmly affixed to SLT's versatile business model, the philosophy for defining commitment to the triple bottom line aspects, underpins the strength of SLT's 150 year legacy of unparalleled service to the nation.



*A giant step towards enhancing customer satisfaction*

### SLT Achieves ISO 9001:2008 Certification

The year saw SLT being awarded ISO 9001:2008 certification for Quality Management System (QMS) by the Sri Lanka Standards Institution (SLSI). This certification covers all the local and international services provided by SLT and the operations of its branch offices located island-wide, including services provided across a broad spectrum of residential customers to blue-chip companies, in addition to the critical role as the National Backbone Service Provider and the leading Wholesale Service Provider of domestic and international connectivity.

While demonstrating the robustness of SLT's QMS, the ISO 9001 certification further underscores the ability to consistently provide products that fulfil customer requirements above and beyond accepted norms. Moreover, the certification also proves the commitment towards continually enhancing customer satisfaction through innovation and perpetual improvement.



*Consistent Quality at all levels of the business*

### SLT is awarded ISO/IEC 27001:2005 Security Management standard

For the third consecutive year SLT was accredited with the ISO/IEC 27001:2005 standard for Security Management, awarded by the world renowned certification body, Bureau Veritas.

The scope of the certification process is a comprehensive analysis of all systems and procedures, spanning SLT's island-wide IT Operations including Systems Administration, Billing, Operational Support Systems, System Development, Network and End User Support, Network Operations such as SLT NOC and island-wide broadband network operations including IP-VPN/MPLS/Data services and Internet Service Provider (SLTNET) Broadband Services, Internet Data Centre (SLT iDC), Network Management and Network Security, Disaster Recovery Centre and core support services such as Power and AC operations and physical security management. Moreover, the certification also ensures customer service standards are in conformity with internationally accepted benchmarks.



SLT Group CEO receiving ISO certification



### Economic -

We will continuously improve our financial performance by setting high objectives for growth and value creation while delivering competitive performance in these areas. We will maintain an open dialogue with our stakeholders and comply with all mandatory regulations and reporting standards with due consideration to the direct and indirect impacts on stakeholders resulting from the course of our business activities

#### Goals

- Achieve significant revenue growth for 2014
- Grow the customer base
- Explore non-traditional business channels
- Retain market dominance



### Environmental -

We will work to continuously improve our environmental performance by setting high objectives and integrating environmental and bioethical considerations into our daily business.

#### Goals

- Reduce group energy consumption by 10%
- Improve the waste management process



### Social -

By setting high objectives and integrating social, human rights and health and safety considerations into our daily business, we will act as value creators to the community by facilitating enduring social change, across a wide strata of society

#### Goals

- Promote greater gender distribution across all regions
- Achieve zero employee grievances
- Becoming an accident-free organization by 2016
- Ensuring a society free of Child-abuse
- Improving Service fulfilment, Uninterrupted Service and Service Restoration Indices for SLT products.

**Bringing together all SLT employees and encompassing over 300 island-wide locations, the massive campaign sought to create awareness and educate the general public on the long term consequences of child abuse.**



Child protection awareness campaign was carried out island-wide

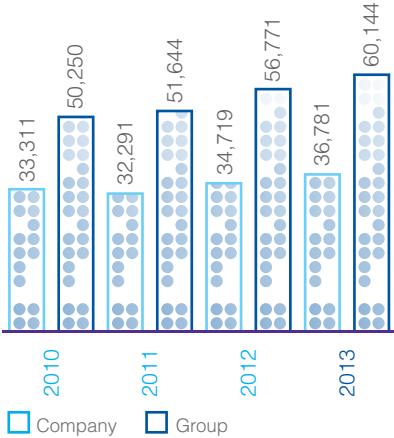
# Management discussion & analysis

## Financial Review

### > Revenue

Revenue at group level reached Rs. 60.14 billion, a 6% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. At company level, SLT experienced a significant increase in revenue mainly driven by broadband, wholesale and enterprise data, and international revenue. SLT revenue has increased to Rs. 36.78 billion in 2013 from Rs. 34.72 billion in 2012, recording a growth of 6%. Subscriber numbers experienced an upward curve of 6% in wire line, while CDMA saw a decline of 4%. Non-traditional revenue lines including broadband, wholesale, enterprise data and PEO TV recorded significant growth levels.

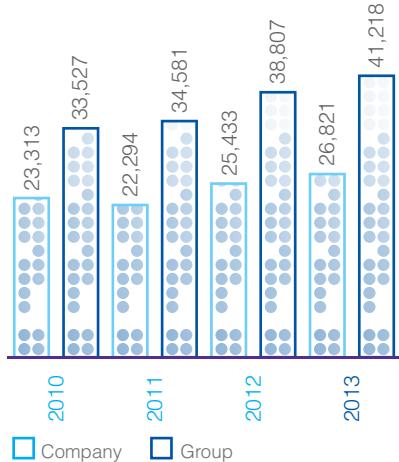
**Revenue**  
Rs. Mn



### > Expenditure

Having worked on strategies of prudently managing expenditure in the past, this year too the process was continued with even more emphasis, placing it as a key priority across the group. However, 2013 also has been a challenging year for SLT group with the increase in fuel prices and hike in energy costs which exerted excessive pressure on profitability.

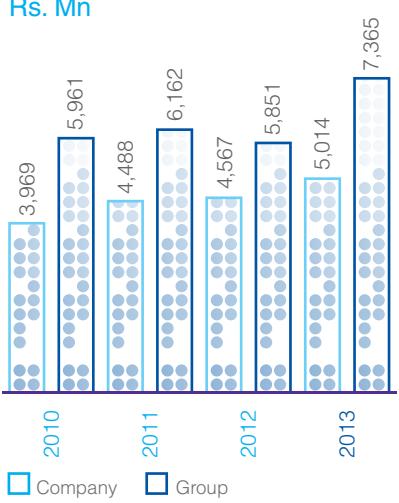
**OPEX**  
Rs. Mn



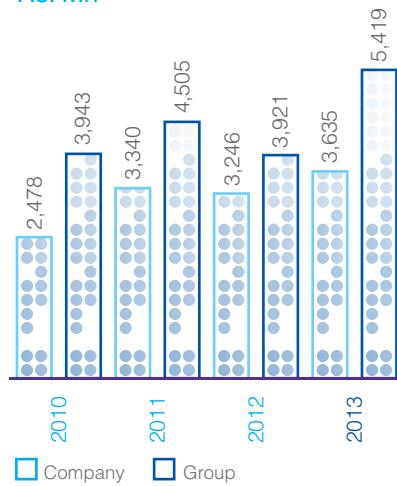
### > Interest Cost

There was a noteworthy reduction in interest costs which were positively impacted due to a decreased level of borrowings. This had a positive effect on the bottomline of the company.

**Profit Before Tax**  
Rs. Mn



### Profit After Tax Rs. Mn



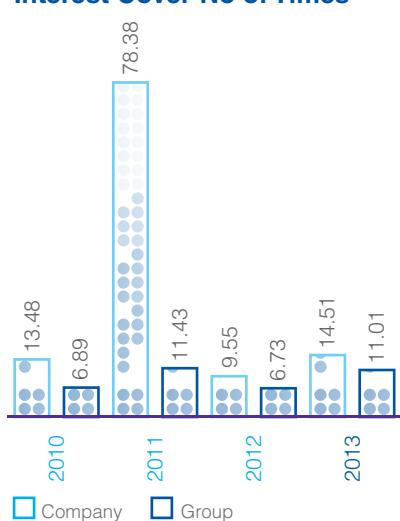
### > Profitability

The group recorded a Profit Before Tax (PBT) of Rs. 7.37 billion and Profit for the year of Rs.5.42 billion, an increase of 26% and 38% respectively. Managing of operational costs and favourable impact from non-operational activities resulted in remarkable increase in PBT and profit for the year under review. At company level, SLT posted PBT of Rs. 5.01 billion, an increase of 10% and Profit after tax for the year of Rs. 3.64 billion, an increase of 12% when compared to 2012.

### > Interest Cover

Group interest cover saw a favourable trend due to the increase in profitability and repayment of borrowings. Interest cover increased from 6.7 in 2012 to 11.0 in 2013 at the group level, while at company level, there was a substantial increase to 14.5 from 9.6 last year.

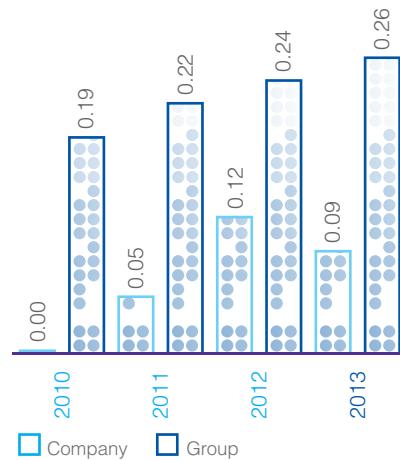
### Interest Cover-No of Times



### > Gearing

At group level, gearing as at 31st December 2013 and 2012 was 0.26 and 0.24 respectively, while at company level, it was reduced to 0.09 in 2013 compared to 0.12 in 2012.

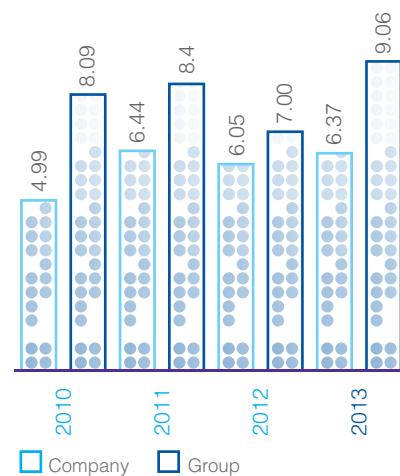
### Gearing



### > Non-Current Assets

Total non-current assets of the group increased to Rs. 87.45 billion, as against Rs. 78.80 billion from the previous year.

### Return On Equity -%

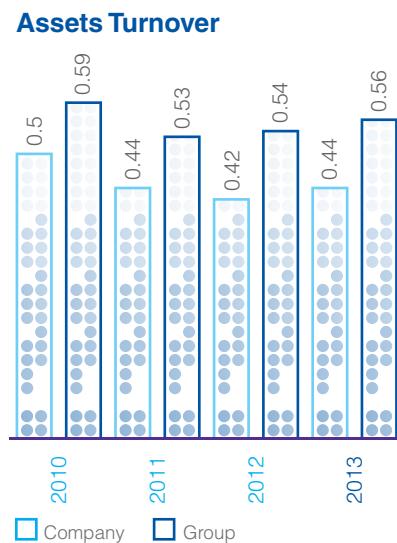
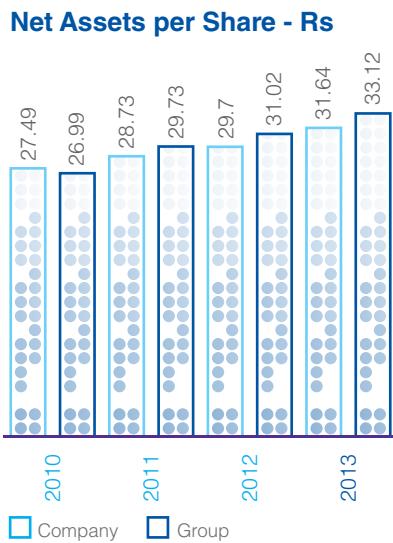


## Management discussion & analysis

### > Property, Plant and Equipment

Group property, plant and equipment increased by Rs. 6.91 billion from Rs. 73.60 billion in 2012 to Rs. 80.51 billion in 2013.

**Revenue at group level reached Rs.60.14 billion, termed through 6% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. At company level, SLT experienced a significant increase in revenue mainly driven by broadband, wholesale and enterprise data, and international revenue.**



Financials are based on new Sri Lanka Accounting Standards applicable for the financial period beginning 1 January 2012.

## &gt; Market Presence

**Customer Service****36****Teleshops****34****Regional Offices****22****Maintenance Centers**

**SLT's extensive regional presence caters to meet the demands of all segments, consumer as well as business**

**7****Contact Centers**

**Technology Experience Center, Mobile Experience Center and Experience Centers located within Teleshops**

**Customer Experience Centers****Regional Demarcations**

Province	RTOM Area
Metro Central	Havelock Town (HK)
	Kotte (KX)
Metro North	Maradana (MD)
	Wattala (WT)
Metro South	Nugegoda (ND)
	Ratmalana (RM)
Central	Gampola (GP)
	Kandy (KY)
	Matale (MT)
North Central & North Western	Anuradhapura (AD)
	Chillaw (CW)
	Kurunegala (KG)
	Polonnaruwa (PR)
Western (North)	Gampaha (GQ)
	Negombo (NG)

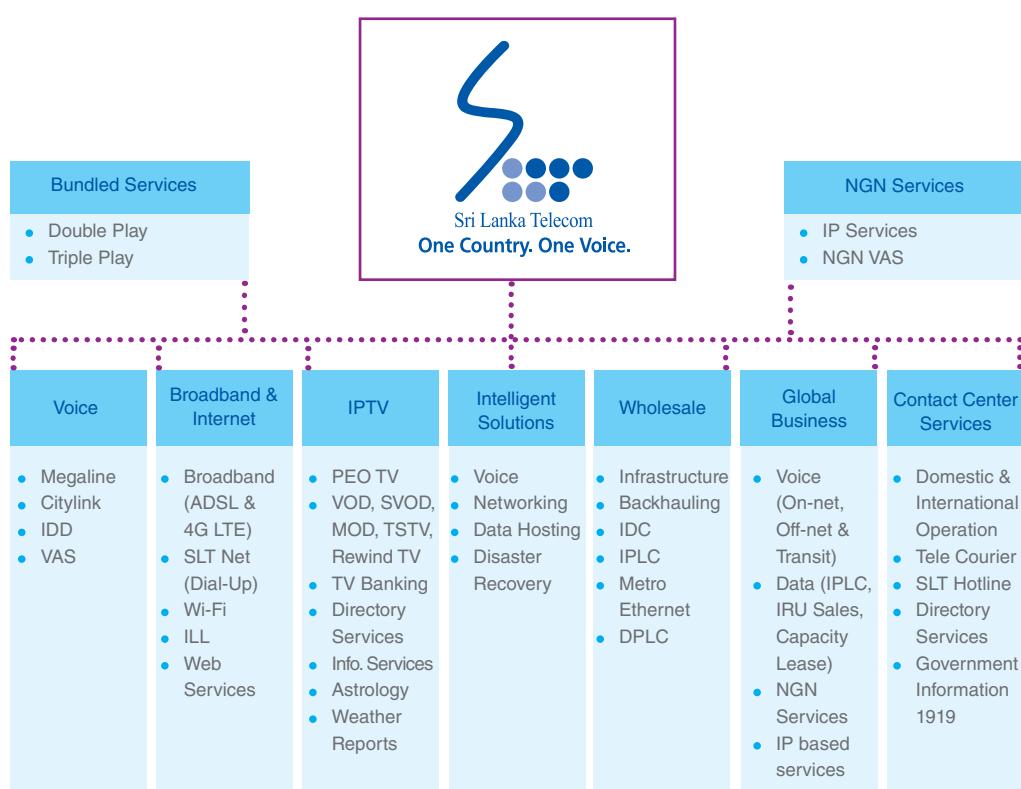


Province	RTOM Area
Sabaragamuwa	Awissawella (AW)
	Kegalle (RN)
	Ratnapura (RN)
Southern	Galle (GL)
	Hambarthota (HB)
	Matara (MH)
Uva	Badulla (BD)
	Bandarawela (BW)
	Hatton (HT)
	Nuwara Eliya (NW)
Western (South)	Kalutara (KT)
	Panadura (PH)
	Ampara (AP)
Eastern	Batticaloa (BC)
	Kalmunai (KL)
	Trincomalee (TC)
Northern	Jaffna (JA)
	Mannar (MB)
	Vavuniya (VA)

**4****Regions****12****Provinces**

## Management discussion & analysis

### > Product Portfolio



Provides an extensive range of services and solutions to cater to the demands of all segments and lifestyles

**1.5 Mn**  
Fixed Telephones

**27 %**  
Broadband Growth

### Operational Review

#### > Key Operational Highlights 2013

#### > Consumer and SME segment

#### Industry Overview

As at December 2013	Sri Lanka*	SLT Group	Market Share
Fixed Telephones	2,739,989	1,571,309	57%
Mobile Telephones	20,860,513	5,000,000	24%
Fixed (Internet & Email)	482,651	441,798	92%

\*Provisional

Source: TRCSL

### > Performance Overview - SLT

All core areas of the consumer and SME segment performed exceptionally well during the year. Following an aggressive marketing drive launched in 2013 to promote standalone products as well bundled offers, the consumer and SME

segment experienced rapid growth in 2013. Consequent to the growing broadband demand across the country, SLT comfortably achieved both volume and revenue targets for all broadband products. However, growth in fixed line space continued to be threatened as mobile operators yet

again campaigned aggressively to encroach into this market. Being the clear leader in the fixed line space however was a definite advantage for SLT. Led by a series of highly focused activations to stem the fixed to mobile migration levels, SLT reinforced its commitment to stimulate this market in the year under review. The efforts proved to be successful as evidenced by a notable 4% YoY growth in the fixed line customer base in 2013. Moreover, results obtained from key service indices also demonstrate significant improvements in all service parameters during 2013, testifying to the success of SLT's broad-based customer-centric transformation strategy.

Product	Sales Achievement 2013 - No. of Connections	Service Fulfilment Index		Uninterrupted Service Index		Service Restoration Index	
		2012	2013	2012	2013	2012	2013
Megaline	100,627	51%	57%	92%	91%	72%	67%
Broadband	143,298						
PEO TV	25,450	53%	56%	93%	94%	34%	52%
Citylink	28,197	91%	89%	95%	96%	76%	76%

**86%**  
**SLT's Fixed Broadband Market Share**

**29%**  
**PEO TV Growth**



Regional Business Customer Forum

### • Improving Sales Team Performance

An innovative approach for increasing the performance of sales teams was adopted during 2013, where the sales capabilities were identified based on the network resource availability and demographic aspects of the customer base in each

area. The areas considered were the smallest possible units: the coverage area of an MSAN. The sales teams were trained on the technical aspects of the service as well as on telemarketing techniques. Telemarketing was especially useful for promoting broadband services to existing Megaline

customers. With these initiatives, the Regional Group was able to achieve unprecedented broadband sales figures during 2013.

### • Nurturing Sri Lanka's SME Sector - SME Customer Forums

Identifying the importance of the SME sector in Sri Lanka's economy, the Regional Group – with the support of the Marketing Group – launched many initiatives to facilitate the ICT requirements of the sector. SME Customer Forums were held to introduce SLT products and services to existing and

## Management discussion & analysis

**Identifying the importance of the SME sector in Sri Lanka's economy, SLT launched many initiatives to facilitate the ICT requirements of the sector.**

potential customers, to identify the industry requirements and issues faced by the customers. The SME sales support team together with Provincial Sales teams organized customer forums for each of the Provinces during the year, which significantly contributed to achieving the revenue targets for the SME sector.

A total of 33 market activation programmes were conducted during the year, to create more awareness on SLT's customized product offerings for SMEs. Entitled "ICT for Business" the series of programmes sought to demonstrate SLT's ability to leverage on group synergies and provide ICT solutions that would benefit SME businesses. While nurturing customer relationships, the interactive forums also included a series of product demonstrations that facilitated hands-on experience.



Business Customer Forum

### > Key Communication Activities for the year

Launch of "Abhimaana" campaign phase II







**Feels like my son and his family, are right here with us.**

“It's been over a year since my son and his family migrated. They phone regularly but nothing compares to seeing their precious faces. As a retired state sector employee, I'm grateful to my SLT Abhimaana connection. Now I can look at them while talking to them! And because of the Wi-Fi router, I can even talk to them while my daughter, who lives with me, is on the Internet! SLT Abhimaana has truly filled that empty gap in my home.”

As a salute to your noble service to the nation, we give you Abhimaana SLT Broadband - a consistent, uninterrupted, high-speed Internet service for an attractive rate of just Rs. 390/- per month. A wireless router at a special Abhimaana price of Rs. 1,990/- with 1.5 GB capacity and an extra 500 MB free.

**BROADBAND ::::**  
Powered by Megaline

### Launch of Wi-Fi campaign



**Internet for everyone at home with SLT Broadband.**

Hotline 1212 | www.slt.lk



**BROADBAND ::::**  
Powered by Megaline

## IDD Super Weekend campaign

Avurudu Promo 2013

Jana Gee campaign 2013

## WWW & WIN – Customer Award Ceremony

## 1298 – ‘Wrong Answer Quiz’ Competition

## Management discussion & analysis

### > New Developments in 2013

- Enhancing Local Connectivity

In May, 2013 SLT launched the VDSL2 (Very-High-Bit-Rate Digital Subscriber Line 2) advanced fixed broadband technology. The addition of this new technology means the company's broadband users could expect speeds of up to 100 Mbps. VDSL2 operates over copper lines, similar to ADSL technologies to deliver high speed internet access. However, enhanced capabilities of the VDSL2 platform can convey unprecedented broadband performance while delivering triple-play services of Telephone, Broadband and PEO TV. VDSL2 is the fastest of the DSL provisions of broadband, and uses a combination of nodes and existing copper telephone cables to provide the highest available frequency of DSL. VDSL2 can achieve incredible speeds, as high as up to 100 Mbps downstream theoretically.

The initial demonstration held at the Sri Lanka Telecom Regional Office in Kegalle recorded data speeds in excess of 90 Mbps.

SLT plans to expand the services to other regions as well by upgrading its fixed broadband network

in the near future. SLT's technology leadership continues to revolutionize internet usage across the country whilst expanding Sri Lanka's broadband capacity, availability and affordability to empower Sri Lankan internet users with consistent, uninterrupted, high-speed broadband internet access with the highest reliability.

- Promoting Global Connectivity

With the development of the country's economy deemed to play a pivotal role in defining the country's future growth prospects, SLT made a concerted effort during the year, to enhance global connectivity levels, in readiness for the future. By establishing partnerships with incumbent carriers around the globe while simultaneously strengthening the island wide network and switching infrastructure, SLT aims to counteract the growing threat of illegal international operators that continues to overshadow the future of global telecommunications industry. While these efforts would certainly underpin SLT's future growth patterns, they are also expected to support the GoSL's efforts to attract large scale foreign direct investments (FDI's) to the country in the years ahead.



Connecting via ICT solutions - Mattala Rajapaksa International Airport

### > Key project highlights for 2013

- SLT is assigned the role of Total Solutions Provider for Mattala Rajapakse International Airport (MRIA)

The total communications solution introduced by SLT will facilitate MRIA's commercial partners including Airport and Aviation Services (SL) Limited, Sri Lanka Custom, Ceylon Petroleum Corporation, Bank of Ceylon, Peoples Bank, Foreign Employment Agency, State Intelligence Service, Sri Lanka Air Force, Department of Immigration and Emigration, SriLankan Airlines and Sampath Bank. Furthermore, the SriLankan Airlines office in the MRIA is also given an IP voice-data integrated solution as a managed service.

- SLT ties up with HDFC to enhance customer convenience by adding doorstep bill payments

SLT entered into an agreement with The Housing Development Finance Corporation Bank (HDFC), to facilitate bill payments at the customers' own doorstep through mobile collection teams. The agreement signed by the two institutions would increase customer convenience and enhance the customers' experience with the company. SLT's bill payment system has already been enabled at over 3000 different locations as well as online through the company's website. With the signing of this agreement, the bill payment facility has been extended to HDFC Bank's branch network of 32 branches located across the country. Concurrently, SLT will make use of the Bank's doorstep banking facility that deploys mobile collection teams comprising over 300 HDFC employees, to make regular visits to SLT customers' homes as well as nearby central locations, offering a more convenient option for customers to settle their bills without travelling travel long distances to bill payment locations. The service is particularly useful for

**Connecting multiple geographic locations across the country through cutting-edge “Intelligent Solutions”, SLT provided a fully integrated business communication solution to the CHOGM 2013. Also using the largest ever Wi-Fi deployment in Sri Lanka, SLT’s solution was structured to facilitate 2,500 concurrent users.**

customers in rural areas, where the door-to-door distance between customers' homes and the nearest bill payment centres prevent the timely settlement of bills, resulting in line disconnections and inconvenience caused to customers. By channeling the synergies of HDFC's doorstep banking concept, SLT expects to create a sustainable alternative that also enhances the customers' overall experience with SLT.

- **SLT introduces the first ever “drive through” bill payment facility**

Once again cementing its position as the country's vanguard telecommunication operator, SLT launched yet another “first” to Sri Lanka by introducing the first ever “drive-through” bill payment facility. Initiated in July 2013 at SLT's Maradana Teleshop the “drive-through” bill payment facility is aimed at increasing customer convenience while adding value to the customers' overall experience with SLT. In a bid to enhance the customer experience at each and every customer touch point, the new “Drive Through” offering not only augments SLT's multiple settlement options but also complements the cosmopolitan lifestyles of the modern customer.

With the introduction of this latest bill payment facility, customers are now able to pay their SLT and Mobitel bills to the SLT counter from the comfort of their vehicle, thus saving time and eliminating the hassle of parking.

- **SLT aligned to the theme of the World Telecommunication and Information Society Day (WTISD) 2013: “ICTs and improving road safety”**

Under the banner “ICT and improving road safety”, SLT was commissioned by the Sri Lanka Police under a directive by the Ministry of Defense, to install a Closed Circuit Television (CCTV) monitoring system at 30 selected street junctions in Colombo city and the suburbs. Following the successful installation of a series of 107 cameras spanning these identified locations, SLT enabled the country's first and largest (CCTV) surveillance system vis-à-vis the advanced fibre optic based Metro Ethernet Network (MEN) infrastructure. SLT's Internet Protocol based (IP/MPLS) communication

backbone network and fibre ring architecture was upgraded to 1 Gbps Ethernet to deliver the high speed capabilities required for data/video transfer and to improve reliability and security for mission critical data. The new system also allows the Sri Lanka Police Department to carry out real-time video monitoring, control cameras remotely, record, store and playback videos.

- **SLT connects CHOGM 2013**

SLT was appointed as the official ICT services provider for the Commonwealth Heads of Government Meeting (CHOGM) 2013, held in Colombo in November 2013. SLT's brief was to provide comprehensive communication solutions to multiple geographic locations where key forums of the CHOGM were held, including the CHOGM Opening Ceremony, Main Conference, Heads of Government Retreat and Secretariat Functions, Business Forum, Youth Forum, People's Forum and Media Centre (Media

Centre at BMICH for 1000+ local and foreign media professionals). Connecting multiple geographic locations across the country through cutting-edge “Intelligent Solutions”, SLT provided a fully integrated business communication solution encompassing virtual private network connectivity, internet data centre facility, local area networks, dedicated business internet through leased lines with symmetric bandwidth, ethernet connectivity, fixed broadband services, high speed Wi-Fi access, telephone and fax services, ICT equipment and optical fibre connectivity to CHOGM event venues.

Moreover, the specially designed Wi-Fi access network was backhauled by SLT's high speed, reliable and resilient optical fibre ring architecture to support high user volumes. The largest ever Wi-Fi deployment in Sri Lanka, SLT's CHOGM solutions were structured to facilitate 2,500 concurrent users.



State-of-the-art CHOGM Media Centre

## Management discussion & analysis

**Performance of subsidiaries have been commendable and have complemented the strategic focus of the Group as a whole**

### > Performance of Subsidiaries and related services

### > Performance Overview: VisionCom (Private) Ltd (PEO TV)

It was an eventful year for PEO TV, with the company's revenue crossing the Rs. 1 billion mark. With all revenue streams contributing consistently towards the top line of the company, total revenue for the year saw a phenomenal 28% YoY growth. The subscriber count also continues to grow exponentially, reaching 90,000 for the year ending 31st December 2013, in large part due to the high specialized marketing and branding agenda that emphasizes a highly customer oriented marketing approach. Consequently by pursuing one-to-one marketing interactions and highly focused ground level activations, PEO TV's sales acquisition costs have remained consistently lower than industry benchmarks. Continuing to maintain a healthy APRU (Average Revenue Per User), PEO TV also explored alternative revenue streams during

the year. Ad-insertions and Event TV are some of the revolutionary new changes brought in during the year under review.

Meanwhile, effective strategic focus and prudent cost management translated into significant operational efficiencies that drove down the cost to revenue ratio for the year, a certain advantage given the highly competitive business environment. PEO TV's growing portfolio of mainstream channels topped 87 as at the end of 2013, including a bouquet of exclusive channels. A series of efforts were also initiated in 2013 to further augment the customers' viewing experience vis-à-vis multiple content streaming encompassing, audio, video and internet options.

PEO TV was awarded the 'Bronze award' in the category of most innovative brand of the year at SLIM Brand Excellence Awards 2013. While testifying to PEO TV's ground-breaking capabilities, the award recognizes the company's innovative thinking and dynamic approach.

Strengthened by the company's credentials, the future looks promising for PEO TV, particularly given the group synergies that would ensue from SLT's NGN transformation agenda. In readiness for these potential benefits, PEO TV expects to launch a new IPTV platform that would revolutionize customer perceptions and be the catalyst in growing company revenues in the future. Continuing with the highly personalized marketing approach, while focusing on exploring non-traditional revenue streams, the company remains committed to enhance service provisioning and improving fault rectification that is on par with international standards.

### > Performance Overview: SLT Publication (Private) Ltd (Rainbow Pages)

Being the sole directory provider in the Sri Lankan market, SLT Rainbow Pages continued to dominate the telecom information arena. Continuing with the emphasis on directory information, the company launched four new provincial directories in print version.

Meanwhile, capitalizing on the recent boom in the tourism industry, a new tourism directory in print version was also launched in 2013. An industry specific product, the tourism directory provides comprehensive coverage of essential tourist information. While being distributed to all leading hotels in the country, the directory is also available for purchase at supermarket chains across Sri Lanka. Given the tremendous success of the print version, a digital version of the directory is also in the offing for 2014.

Today Rainbow Pages is accessible to everyone through the associated directory product range such as directory CD, Web, WAP and Call Center. Android and Apple Apps are also available to access directory through smart phones. Prompted by the phenomenal success of the wedding directory website launched in 2012, follow up measures were taken in 2013 to introduce print and CD versions of the directory. The customer receptiveness to the print version has been very encouraging, of particular note is the unprecedented response received from the provinces.



PEO TV receives the Innovative Brand of the Year Award, at the SLIM Brand Excellence Awards 2013



Rainbow Pages product portfolio

Another notable feature for the year was the realignment of the company's strategic focus featuring a business diversification agenda and the ensuing foray into the advertising and publicity arena. With the growing SME sector being the target market for this endeavour, the company aims to evolve into a total advertising solutions provider for this key market in the future.

#### > Performance Overview: Sri Lanka Telecom (Services) Limited (SLTS)

Leveraging on the company's superior engineering capabilities together with the significant group synergies, SLTS continued to realize notable growth during the year. Supported by notable volume growth in all products and services, all revenue streams demonstrated steady growth throughout as indicated by the 20% YoY increase in the company's revenue in 2013.

The company's SME tools have been especially designed taking into consideration the unique requirements of the small and medium scale entrepreneurs where stronger convergence capabilities, extended reliability, improved scalability, flexibility and cost effective implementation are the unparalleled unique features that characterize SLT's SME product offerings. Aside from providing mainstream network and systems solutions, the company's primary focus for the year was to structure intelligent bespoke offerings that would deploy customer-specific end-to-end networking and communications solutions for large corporates and government institutions.

SLT's Intelligent Solutions encompass the entire gamut of next generation voice, networking, data hosting and managed services to facilitate local businesses to compete in the global arena. Accompanied by speed, connectivity, reliability and security on par with global standards, SLTS' sector-wise communication solutions address the needs of 10 primary economic sectors including: Tourism and Leisure, Banking, IT- BPO and Knowledge Services, Packaging and Branding Industry, Universities and Educational Institutes, Aviation Services, New Zones and Petroleum Refinery, Ports, Transport, Manufacturing and Health Sector.

- Accordingly, a number of key projects were successfully completed during the year, adding to the company's existing portfolio of eminent clients.

#### Intelligent Solutions implemented during the year:

- SLTS was commissioned to install a total ICT infrastructure solution including comprehensive banking software at a leading local bank. The ensuing benefits of the tailor-made solution would not only enrich the functionality of the banking module, but also allow the bank to augment product offerings and justify further service enhancements in pursuance of a more customer-oriented approach. Moreover, the solution would convey greater cost efficiencies to the bank in the long term, vis-à-vis improved process efficiencies relayed by a reduction in procedural and transactional complexity.

- SLTS also facilitated a fully meshed local area network (LAN) solution for a number of large scale private sector companies, public sector organizations and NGOs. The high-end solutions provided by SLTS were deployed based on the individual customer requirements, where the primary network is equipped with multiple device connectivity that allows greater flexibility and better fault tolerance.

- SLTS also provided a complete wired network solution using fibre optic backbone for CHOGM 2013.

#### > Performance Overview: SLT Human Capital Solutions (Pvt) Ltd (HCS)

The impressive track record of servicing group HR requirements culminating with the unwavering passion to deliver total HR solutions led to the launch of HCS in 2013. As a non-traditional business avenue, setting up of HCS as an independent unit, under a new brand identity, was indeed a bold step for SLT. However, strengthened by over half a decade of experience in servicing the group, together with the comprehensive portfolio of innovative HR solutions under its belt, incorporating HCS was the obvious next step in the evolution of the unit. Plans are in place to set up a technological university which will take HCS into the education and training realm.

#### HCS's focus areas;

- Outsourcing and Shared Services:**

This module encompasses a gamut of offerings ranging from basic headhunting to outsourcing of staff with end-to-end HR management solutions that cover the entire life-cycle of an employee from the recruitment to retirement and everything in between.

- Shared Services:**

Provision of sales services, technical assistance, call center and data entry operations.

## Management discussion & analysis



### • Assessment and People Profiling:

A unique HR solution, managed by the dedicated People Profiling cell at HCS. Following intense scrutiny, the recommendations of the profiling cell provides effective support for key HR decisions, including recruitment, rewards, retentions and promotions.

### • HR IT Solutions (HRIS)

Developed in-house, HRIS facilitates the automation of the entire people management function by tapping into the latest digital and mobile technology.

### • Education and Training

To be incorporated in the planned technology university is a specifically designed curriculum which aims to empower Sri Lanka's youth with a set of timely and relevant skills that would clearly enhance their employability in the country's commercial sector. It will be on par with international practices, and the study programmes will provide youth with the necessary tools to master the required soft skills and acquire the right mind-set to succeed in today's highly competitive business environment.

### • Consultancy Services

Extending its services beyond conventional HR consultancy boundaries, HCS also offers clients with specialized client support services and dedicated consultancy services for all key business disciplines.

### > Performance Overview: SLT Property Management (Pvt) Ltd (SLTPM)

Envisioned as a potential property development arm, SLTPM Ltd was floated in 2013 with the aim of developing the large number of unutilised/under utilised properties under SLT's ownership. Given the growing demand for property in Sri

**Aggressive strategy combined with renewed focus have shaped the subsidiaries' outlook and has set the stage for sustainable growth.**

Lanka, it was strongly felt that such idle lands could ideally be channelled towards more lucrative avenues that would not only enhance the value of the property, but also have a positive impact on the SLT Group bottom line. Correspondingly, the broader mission of SLTPM expects to realise the maximum benefits from SLT's current and future properties to enhance the top and the bottom line of Sri Lanka Telecom, while focusing on the advancement of the social well-being of people of Sri Lanka. In tandem with this mission, SLTPM anticipates fulfilling a broader vision in the years ahead, by being "The most sought after partner for investment properties in Sri Lanka".

### • SLT 4G LTE implementation

Responding proactively in cognizance with changes in the market environment and intensifying competition, SLT decisively commissioned the 4G LTE initiatives during the year, to increase bandwidth levels and transmit positive coherent change across all levels of society. While securing SLT's position as the undisputed leader in Sri Lanka's ICT landscape, the 4G LTE deployment would also support the GOSL's aggressive moves to create a 100 Billion USD economy and a 4000 USD per capita income by 2016 and relay new ICT opportunities for SLT as an outcome of this vision.

### • SLT Wi-Fi Project

The scope of this endeavour is to create a series of carrier grade Wi-Fi hotspots at strategic locations across the country. The project aims to enhance the overall attractiveness of the broadband product offering and capture a wider share of the market. Moreover, by facilitating seamless mobile offloading and roaming for SLT ADSL customers, these Wi-Fi hotspots are expected to provide mobility for the SLT Group's fixed and mobile broadband subscribers, thereby helping to increase the customer acquisition and retention rate, in direct correlation to the growth in the number of hot-spots across the country.

### > Performance Overview: Sky Networks (Pvt) Ltd

Playing a pivotal role in driving SLT's strategic investments for 4G LTE and Wi-Fi deployments across the country in 2013, Sky Networks (Pvt) Ltd continued to successfully manage several concurrent undertakings designed to increase bandwidth levels and upgrade broadband capabilities in Sri Lanka.

## Sustainable Environmental Practices

### > Environmental Agenda

Given the nature of the technology intensive business framework of SLT, the company makes every effort to pursue minimally invasive, eco-friendly practices that would help mitigate the business impact on the environment. SLT is continuously seeking innovative ways to reengineer systems and procedures that would help control the company's environmental footprint and promote long term sustainability. Hence, SLT's "Green Agenda" underscores the need for greater commitment not only at a corporate level, but also seeks to engage employees while also encouraging national level participation to help achieve the country's overall environmental impact.

### > Project Evaluation Process – Green Impact Measurement

Given the scope and scale of SLT's projects, the "Green Impact" measurement plays an integral role in embedding sustainable best practices in the process of project evaluation. Using a range of tools, each undertaking is stringently assessed for potential influences on the environment (refer to Strategic Governance Board (SGB) Gate process in page 103). By helping to attain a deeper understanding of the



### SLT's "Green" Approach

We will work to continuously improve our environmental performance by setting high objectives and integrating environmental and bioethical considerations into our daily business. Accordingly we will make every effort to minimize the environmental impact of our business through efficient energy management practices and ethical waste management solutions that would reduce our carbon footprint and help retain the natural ecological balance of the environment. In doing so, we aspire to transform into a truly sustainable ICT company in the future.



Students take part in SLT organized tree planting programme

**Being a responsible and sustainable business leader is at the heart of our strategy. Beyond driving sustainable practices in our own operations, we recognise the broader value we can deliver to society.**

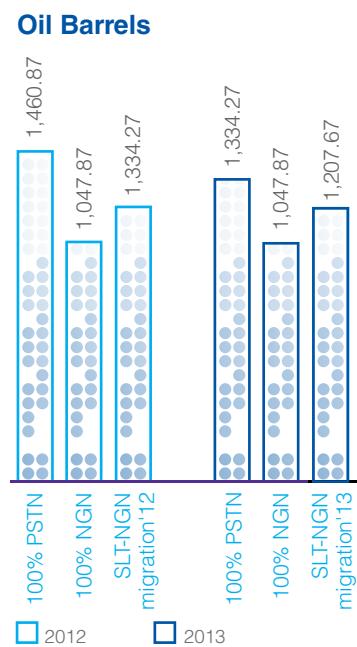
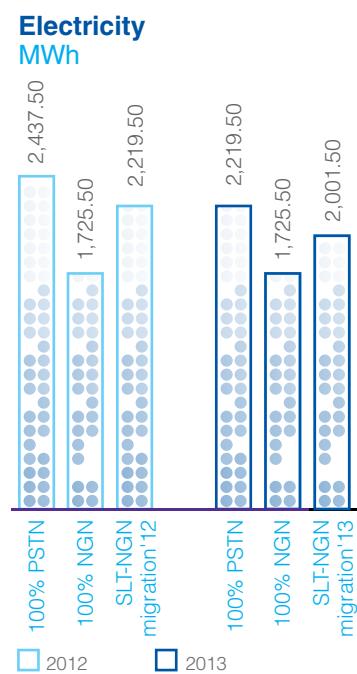
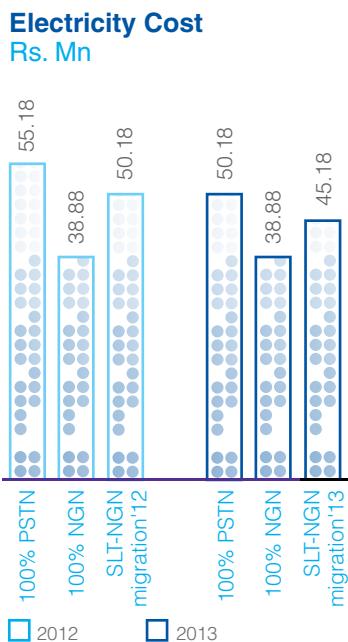
## Management discussion & analysis

environmental manifestations resulting from a project, SLT is able to better ensure effective management and control of large scale projects undertaken. Using the investment governance framework outlined below, particularly the G0, G1 and G2 stages of the gating process, SLT is able to systematically gauge the green impact of each investment.

### > Reducing the carbon footprint - Savings realized from the migration to New Generation Networks (NGN)

In the capacity as an integrated service provider, SLT has traditionally fulfilled all product and service requirements by switching between multiple platforms. However, under the i-Sri Lanka initiative this multiple switching mechanism would be phased out in favour of the more efficient soft switching structure that would be

**While supporting low cost operations in the longer term, NGN migration also facilitates new value added services and features to uplift the lifestyles of the people.**



accommodated by a single platform operational system. In addition to the obvious operational efficiencies, migration to NGN of this nature would result in a host of other benefits that have a positive impact in the form of:

- Reduction in energy cost
- Reductions in CO<sub>2</sub> emissions
- Space savings through enhanced compacting
- Conversion to solar power under the concept of renewable power

While supporting low cost operations in the longer term, NGN migration also facilitates new value added services and features to uplift the lifestyles of the people. At present 50% of SLT's network has been converted to NGN, with the project expected to be completed by end 2014.



SLT receiving National Energy Award for the year 2013

### Case Study – ‘i-Sri Lanka’ Initiative: Minimizing Environmental and Social Implications

#### Energy and Waste Management:

- Re-using /Re-locating infrastructure for better performance
- Recycling legacy equipment

#### Health and Safety

- Ensuring customer, worker and public safety by implementing appropriate earthing systems at the customer premises
- All plants are installed as per industry-specific safety guidelines
- All on-site workers are provided with the required safety equipment and tools to carry out the required tests and ensure the accuracy of all system implementations

#### Network Modernised

Negombo, Gampaha, Matara, Galle, Avissawella, Panadura, Maharagama, Colombo, Mattegoda, Welikada, Badulla, Kegalle, Hambantota, Maradana and Chilaw

#### Space

**8500 sq ft  
Saving**

#### Energy

**Rs 70 million  
per month  
Saving**

#### > Sustainable Products and Services

#### > “Green” ICT Solutions

As heightening environmental concerns continue to dominate the modern business agenda, global businesses have been prompted to embrace an increasingly eco-friendly business paradigm in order to stay competitive. Given the dynamism of the global ICT industry, major telcos across the globe are under growing pressure to bridge the “Green” divide. In step with these shifting trends, SLT continues to assess potential “Clean” technologies that would minimize the impact on the environment. In pursuance of this goal, a series of proactive steps were taken in 2013, to launch a number of products and

service enhancements with a significantly lesser carbon footprint.

Cloud computing: A virtual storage mechanism, capable of compacting and storing vast amounts of data remotely. It is a cost effective and efficient alternative that allows users to access existing data or upload new

data easily at any given time, thereby saving storage space. More efficient, eco-friendly service enhancements were also introduced during the year, in a bid to stem the negative impact on the environment.

# Management discussion & analysis

## > Energy Management

Embracing a strategic approach to energy management, SLT has always advocated the deployment of energy efficient technologies and the application of best practices for energy management at all levels of the business. Accordingly a meticulously laid out energy policy spells out suitable action for each aspect of the business. Moreover, underscored by continuous evaluation, SLT seeks to improve existing systems and practices through training programmes, site assessments and timely realignment of policies and practices to satisfy the changing needs of the business.

## > Establishing Best Practices for Energy Management

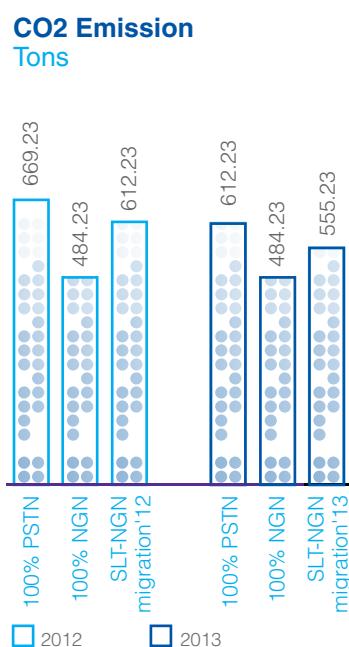
Reducing energy costs remains a key priority for SLT, not only as a means of trimming operational expenses, but also to mitigate the impact on the

environment and subscribe to a more sustainable business model in the longer term. To accomplish these goals, SLT made a tactical move during the year to set up an appropriate framework that would support the company's aim to build sustainable energy management practices in the long term. By appointing the Energy Management Committee as the apex body overseeing the scope of all energy related activities in the company, SLT set up an Energy Council and appointed Energy Ambassadors, during the year, to inculcate the energy saving philosophy among SLT's employees.

A number of key initiatives were launched by the newly appointed Energy Council, as a first step towards adopting a positive approach towards energy management. Key among these steps was the launch of the "Energy Conservation Week".

Utility expenses	2013 (Rs. Mn)	2012 (Rs. Mn)	YoY variance
Electricity	1,855.8	1,663.0	11.6%
Generator Fuel	36.9	47.3	-21.9%
<b>Energy (total)</b>	<b>1,892.7</b>	<b>1,710.3</b>	<b>10.7%</b>
Water	34.7	33.7	3.2%
Postage	236.8	229.6	3.1%
<b>Other</b>	<b>271.5</b>	<b>263.3</b>	<b>3.2%</b>
Total	2,164.2	1,973.6	9.7%

**Note:** Energy utility cost has gone up due to massive expansion projects which are ongoing. Minimised related costs despite fuel and electricity rate hikes.



## Energy Conservation Week -15 to 19 July, 2013

**Objective:** Create awareness on energy conservation.

**Scope:** Encourage participants to adopt eco-friendly practices and lifestyle choices

**Reach:** Island-wide

**Target Audience:** SLT Employees



### Energy Management Committee

- Comprising of a Senior Management team
- Instructing policy level decisions that influence energy management
- Evaluating energy efficient alternatives
- Scheduling energy management initiatives
- Scheduling awareness programmes and trainings on energy related issues



### Energy Council

- Ensuring company-wide compliance of energy policies
- Targeting a YoY reduction of 15% on the energy bill



### Energy Ambassador

- Provincial Energy Representative reporting to the Energy Council
- Liaise with provincial staff to ensure all energy related activities are communicated
- Perform a leadership role in implementing energy conservation initiatives at a provincial level
- Driving awareness campaigns among provincial staff regarding the importance of energy management and conservation.

**Renewable energy sources helped to manage and distribute energy more efficiently, while simultaneously minimizing the power factor**

#### > Energy optimization efforts to minimize the power factor

- Pilot project to introduce renewable energy

In a bid to supplement the company's energy requirements, SLT launched a pilot project to introduce renewable energy sources

#### > Sri Lanka Telecom wins an award at the prestigious Sri Lanka National Energy Efficiency Awards 2013

SLT was the proud recipient of a Merit Award at the Sri Lanka National Energy Efficiency Awards (SLNEEA) organized by Sri Lanka Sustainable Energy Authority in collaboration with the Ministry of Environment and Renewable Energy. SLT was the only ICT service provider to win this prestigious award in 2013, which recognizes companies' efforts towards energy management and energy conservation systems at all

levels of the organization. The awarding criteria evaluates applicants on a range of diverse areas including management commitment to energy management, employee awareness and training, financial commitments (investments), planning / monitoring / evaluating / reporting, energy performance and the increase of renewable energy share in the energy source portfolio.



Solar Power Systems in place at SLT premises

#### > i-Sri Lanka programme - New power-saving initiatives for 2013

Initiative	Annual Energy Saving (kW/h)	Annual Financial Saving (Rs.)
Decommissioning the Colombo AT & T Legacy Node	306,600	7,500,000.00
Commissioning of energy efficient lighting	23,259	569,845.00
Installation of occupancy sensors	9,344	228,928.00

## Management discussion & analysis

### Human Resource Management

- Promoting Best Practices – SLT Employee Policy**

Nurturing an empowered workforce in order to deliver long term sustainable social change has always been at the crux of SLT's workforce management strategy. Formulated in compliance with the Shop and Office Employee Act, the Wages Boards Ordinance and all applicable labour laws in Sri Lanka. SLT's procedures and practices are guided by the workforce management handbook. While emphasizing the importance of practicing best policies and procedures in fairness to all employees, at all times, the company also makes every effort to promote equal opportunity and diversity.

- Additional benefits introduced to permanent employees in 2013**

- Financial assistance scheme – educational loans
- Restructuring the Motor vehicle / motor cycle loan facility to avail the facility to a larger number of employees.
- A number of employees were sponsored to follow Executive Diploma in Business and Accounting conducted by ICASL in 2013

- Automated systems - Introduction of unified help desk for internal employees using modern IT services (Employee Self Service)
- All employees are entitled to make use of SLT's seven holiday bungalows located across the country, including the Kataragama property, which was added to the list in 2013

- Promoting Equality and Diversity**

Promoting equality and diversity has always been a key priority at SLT, where these concepts are deeply ingrained into the fabric of all day-to-day operations. As a starting point in upholding gender equality, SLT ensures a 1:1 ratio of basic salary and remuneration between men and women across all categories and employee grades.

- Composition of governance bodies and breakdown of employees on the governance body as per employee category according to gender, age group, minority group membership, and other indicators of diversity. When appointing members to a governance board it is ensured that a right balance of seniority, age and gender is maintained.

### > New Recruits and Employee Turnover Levels

Age Group	2013					
	New recruits			Resignations		
	M	F	Total	M	F	Total
20-30	4	1	5	3	5	8
31-40	-	-	-	7	3	10
41-50	-	-	-	6	3	9
51-55	1	0	1	2	0	2
Total	5	1	6	18	11	29

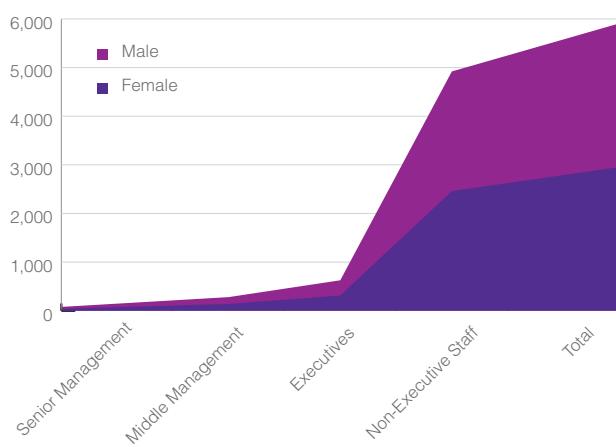


### SLT's Social Proclamation

By setting high objectives and integrating social, human rights and health and safety considerations into our daily business, we will act as value creators for our workforce and to the community by facilitating enduring social change, across a wide strata of society

Promoting gender equality across the country	Female	Male
Region 1	22%	78%
Region 2	22%	78%
Region 3	14%	86%
Metro	26%	74%
Other Staff (HQ)	37%	63%

### Gender Distribution as per Employee for 2013



## > Management Committees 2013

Name of the Committee	Leadership Team	Synergy Group	Operational Review Team	Financial Review	Product Performance Review	Strategic Governance Board	Enterprise Risk Management	Info. Security Mgmt. Forum	Steering Committee of Qty. Mgmt. Sys.	Total
No. of Members	16	40	40	25	30	12	19	15	14	211
Avg. No. of meetings/month	2	Twice a year	2	1	1	1	Once in 2 months	Once in 2 months	1	22
Avg. No. of hours/meeting	4	3	4	3	3	3	1	2	1.5	24.5
Hours spent/month	8	0.5	8	3	3	3	0.5	1	1.5	28.5

## > Composition of Board Committees' 2013

Name of the Committee	Audit Committee	Remuneration Committee	Technology Sub Committee	Senior Tender Board	Total
No. of BoD members	4	2	3	4	13
No. of Non BoD members	0	0	0	3	3
Avg. No. of meetings/month	Once in 02 months	Once a year	Once in 02 months	Once in 02 months	19
Avg. No. of hours/meeting	2	2	4	4	12
Hours spent/month	1	0.5	2	2	5.5
Total members	4	2	3	7	16

## > Composition of Governance Boards

Name of the Governance Boards	Related members	Cross functional members	Total no. of members	Avg. No. of meeting/month	Avg. No. of hours/meeting	Total hours spent/month
IT	5	11	16	2	2hrs	4hrs
Enterprise Solutions	5	5	10	2		
Transformation	3	9	12	0.5	2hrs	1hrs
Facilities & Services	5	8	13	1	2 hrs	2 hrs
Product	5	13	18	2	2hrs	2 hrs
Network	6	12	18	2	2 1/2 hrs	5hrs
Strategic	12	0	12	1	3 hrs	3 hrs

## Management discussion & analysis

- **Screening for labour practices**

SLT has always emphasized the importance of best practices in adhering to the mandatory stipulations of the country's labour laws including but not limited to the Shop and Office Act, Wages Board Ordinance and other industrial practices. It is mandatory for all SLT employees to be made fully aware of all human rights policies and procedures related to certain operations of the company. Accordingly, regular training and awareness sessions are conducted at SLT training centres across the island, to instruct and inform employees to carry out their duties in conformity with these human rights policies and procedures.

In addition, all related clauses and human rights provisions are included as relevant and appropriate in defining the contractual obligations of all third parties dealing with SLT, particularly in the case of suppliers, contractors and outsource partners. Given the soundness of SLT's third party contract, no violation of labour practices have been reported by any third party contractor dealing with the company. Meanwhile, in line with the National Disaster Management

programme, all security personnel are subjected to a comprehensive training involving security awareness and security incident management in relation to the telecommunications industry. Covering a wide range of areas relevant to the scope of their work, the programme agenda includes fire and rescue drills, first aid programmes, firing training at Diyathalawa, in addition to psychological counselling programmes and computer training sessions in accordance with SLT's ISO 9001:2008 certification for Quality Management Systems. A total of over 250 security personnel participated in these training sessions during the year.

- **Creating a communicative work culture - Labour Relations**

Reinforcing the goal to create a communicative culture at SLT continues to strengthen the company's internal communication process, whereby management decisions and all other information are communicated to the staff members via a range of mediums including internal messages circulated through the company intranet, email messages, public announcement via the PA system at SLT HQ etc.

**The comparatively low employee turnover is a further testament to the success of SLT's enriching communicative culture.**

With close to 100% of all employees being unionized under 31 active trade unions, SLT's Employee Relations and Benefit Management unit follows an open door policy to reach out to all employees. Affording an ideal opportunity for SLT to communicate significant operational changes, such open forums are a two way process that also enable trade union representatives to address member concerns directly with the management. Consequently, union officers are provided easy access to the Deputy General Manager (Employee Relations) even without a prior appointment. Moreover, these regular interactions can also be used as a window for trade unions to approach the Group CEO or even the Chairman, if deemed necessary. These practices have contributed immensely towards enhancing relationships with trade unions and employees, while adding a considerable boost to SLT's competitive business edge. Moreover, as a policy all management decisions or operational changes that directly impact employees' day to day activities are communicated to trade union leaders, prior to implementation. Creating greater employee loyalty towards the company, this open interactive culture has led to an impeccable 100% return-to-work rate following leave of absence owing to maternity leave in 2013. The comparatively low number of resignations as captioned in the table in page 68 is a further testament to the success of SLT's enriching communicative culture. Meanwhile exit interviews for 2013 revealed the primary reason for resignations is due to employees migrating overseas to pursue further career opportunities, yet again confirming SLT's position as an employer of choice in Sri Lanka.

### > SLT's Grievance Handling Mechanism

While offering solutions to both job related and personal matters, SLT's grievance handling and counselling process too has contributed positively towards building a greater sense of belonging among staff, while encouraging a more communicative work culture. In 2013, 40 – 50 grievances were reported, with all cases being successfully resolved by the Employee Relations section.

Other initiatives that promote employee relations:

- Regular meetings with trade unions, with at least two formal discussions with trade union representatives per month

- Supporting trade union leaders and active members to participate in externally conducted awareness programmes which highlight the mutual benefits of maintaining cordial relations with the management
- Maintaining a close relationship with the Department of Labour, Employers Federation of Ceylon, etc.
- Sponsorship of trade union events including scholarship programmes ("Nena Abhimani", "Pahasara Arunalu"), education programmes and recreational programmes.
- Organizing various religious events in collaboration with trade unions - e.g. Vesak Kalapaya



Internal launch of Change Management programme

## The Customer-Centric Cultural Shift

**The Need for Change:** Complex service applications and ad-hoc provisioning practices have continuously affected the efficiency of SLT's provisioning and delivery of services, often adversely impacting productivity and impinging the bottom line. Moreover, as volumes grow, the lack of a suitable service allocation mechanism would highlight the inability to keep pace with the exponential growth in the global telecommunications trends and undoubtedly hinder the future progress of the company.

Prompted by these factors, the decision was made to shift from ad-hoc service applications towards a more integrated, customer oriented service model.

### **Change Management Tools:**

**Build Awareness** - To build awareness among the Senior Management regarding the need for change and help them to foster an understanding of the business refocusing strategy.

**Create a Desire** - Identifying employee attitudes and willingness to change, while encouraging them to participate and support the change process.

**Develop Knowledge** - Develop a knowledge sharing culture enabled by a highly focused curriculum including knowledge sharing sessions and resources in libraries to enlighten employees on how to change.

**Foster Ability** – Implementing the required skills and behaviour among employees through a comprehensive training agenda that covers all key aspects including management training on finance, HR, finance training for non-finance staff and HR training for non-HR staff etc.

**Reinforce Changes** – Help sustain and manage the proportions of change by recognizing change leaders and work done by those who live in the change.

### **Focus for 2013 “Enhancing Customer Experience with SLT”:**

– Commissioning of a centralized function responsible for planning and overseeing to ensure world class customer centric initiatives across all touch points. SLT seeks to achieve unparalleled customer service as a key differentiator that would result in a competitive edge and support sustainable growth despite market pressures. Deemed to enrich the customer's experience, this endeavour is also expected to nurture greater customer loyalty and develop a buffer to price consciousness in an intensely competitive market. Moreover, positive customer experiences generated as a result of the process are also expected to support SLT's market positioning and reduce the customer acquisition cost. The changeover exercise commenced in 2013, with the launch of an internal programme entitled "Change to lead now." Culminating with other change management activities and business improvements implemented within the year, steady progress was made to inculcate the change culture across all levels of the company.

## Management discussion & analysis

### • Employee Health and Safety

The health and safety of employees remains of paramount importance to SLT, particularly given the complex lifestyles of the modern world. Accordingly, every endeavour has been made to ensure a safe and secure work environment not only for SLT employees, but also to ensure the personal safety of outsourced contractors working at the company's premises. Parallel to the efforts made in ensuring workplace safety, SLT has also launched a campaign to promote personal health among employees. While creating a vibrant work-life balance, encouraging employees to make healthy lifestyle choices will also embed sustainable social practices across society as a whole.

#### > Inculcating a dynamic health and safety mindset

- Employee responsibility towards health and safety:

Health and safety is an integral part of everyday life and it is the duty of all employees to adhere to the following best practices and safety stipulations in order to ensure their own safety and that of others in the workplace.

- Complying with all health and safety guidelines and regulations as stipulated by SLT
- Ensuring the correct usage / application of safety devices and protective gear as per the stipulated requirements
- Promptly reporting any actual or potential hazards / incidents of violation to a member of the safety committee or the Health and Safety Division
- Responsibilities of the Health and Safety Division
- Ensure the implementation of appropriate policies, procedures and audit protocols to periodically review safety in the workplace
- Ensure appropriate risk assessments and audit procedures are carried out to periodically assess the validity of the safety procedures in place

#### > Safety Initiatives for 2013

- BMI survey
- Dance based workouts
- Yoga programmes
- Diet management
- Stress management therapy programmes

#### > Safety Programmes

- Engineering safety
- First aid
- Janitorial safety
- Ergonomics for Contact Center operators



Building confidence through sports

**Creating an accident-free zone**

Working towards an accident free environment can be challenging, however, SLT has continued to educate employees on occupational health and safety to ensure an accident free environment, thereby improving productivity by preventing and controlling all forms of accidents and diseases. The Health and Safety team already began the process of making the goal of an accident free organization a reality by 2016

#### > Campaigns

Following campaigns were conducted to enhance the healthy employee concept in SLT.

- Blood pressure
- Cleanliness
- Kola kenda
- Avoiding the elevator
- Healthy food & fruits

#### > Others

- Health and safety week was conducted during October 2013 in Colombo and regions, which included a range of health and safety programmes.

**While creating a vibrant work-life balance, encouraging employees to make healthy lifestyle choices will also embed sustainable social practices across society as a whole**

- **Employee Career Development**

#### Annual Performance Appraisal

Annual Performance Appraisal done for the period from 01st January to 31st December for all SLT employees. The weightage given for achievement of targets & objectives at the end of the year during Performance Appraisal is 80% and competency is 20%.

#### Midyear Performance Evaluation

SLT management has decided to introduce a mid – year performance evaluation with the view to giving more weightage to achievement of targets and objectives.

#### Quarterly Productivity and Behavioural Evaluation

Quarterly Productivity and Behavioural Evaluation of employees on contract basis tasks.

To motivate and attract high quality staff we provide an allowance based on the performance using this quarterly productivity and behavioural evaluation.

- **Reshaping the workforce - Training and Development**

Being competitive depends in large on ensuring that the workforce is trained and up to date with ever-changing skills and knowledge. Hence, training and development remains a crucial aspect in determining business success and defining a company's competitive edge. It is therefore, imperative to possess an experienced, competent workforce able to contribute to both the productivity and profitability of the company.

- **Major Training Efforts in 2013**

#### Seminars

- Motivational Lecture for all Executives (3 Sessions) by Mr. Chulananda Perera (Commissioner of Emigration and Immigration).
- Awareness on Metro and Carrier Ethernet

Compulsory training programmes conducted for employees

#### For Executives

- Performance Management
- HR for non HR Managers

#### For Non Executives

- Psychological Counselling for Security Staff

#### Introduction of Knowledge Management Activities

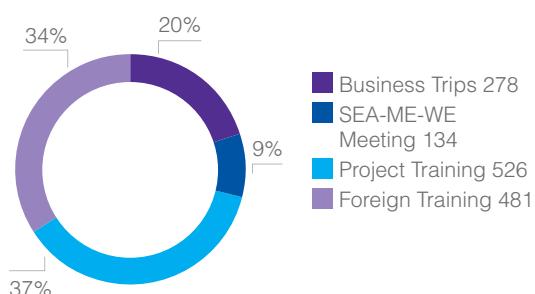
- SLT Quiz 2013 - Conducted to cover all OPMCs to cover all related areas. Notably over 2500 staff participated for the quiz. Top three winning teams were rewarded with air tickets to Malaysia.

Programme	Achievement (No. of staff)
Enhance Competencies of the staff to deliver world class ICT & Infotainment services (Datacom,Optical Fibre, NGN,OSP & Access Tec. Related Training)	923
Enhance Competencies of the staff for best in class delivery of product & services (Cus.Centricity, Cus.Care, IT system related training, etc.)	4662
Enhance Competencies of the staff to implement & maintain single transport & aggregation network (ADSL,IPTV & Backbone related training)	577
Develop required competencies to modernize operational architecture (Re-Skill Workforce to improve operational efficiency)	3225

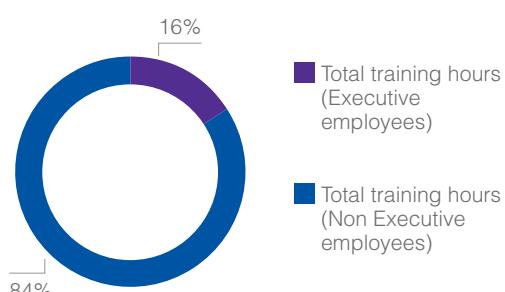
Employee Category	Training Hours (Per Employee) 2013
Executive	8.59
Non-Executive	9.19

## Management discussion & analysis

### No. of days spent abroad YTD 4Q-13



### Training Hours 2013



- Knowledge sharing sessions were introduced to share the knowledge after participating at foreign trainings
- Functionality of SLT library was strengthened and was opened to all staff including SLT subsidiaries

### Other major training initiatives

- Out Bound Training (OBT) was conducted for 180 staff to promote team building
- Special emphasis was made to promote PMI standards in Project Management activities- 138 staff were trained

- Psychological counselling session was arranged for security staff for their mental well-being. Over 250 staff were trained.
- To improve the customer service and promote Account Management Discipline - 180 regional staff members were trained.

Having built successful training credentials over the years, the company continues to outsource its training services to corporates and public institutions who seek to benefit from SLT's dynamic training module. Catering to the growing demand for high quality training, SLT's external training arm conducted a large number of programmes during the year.

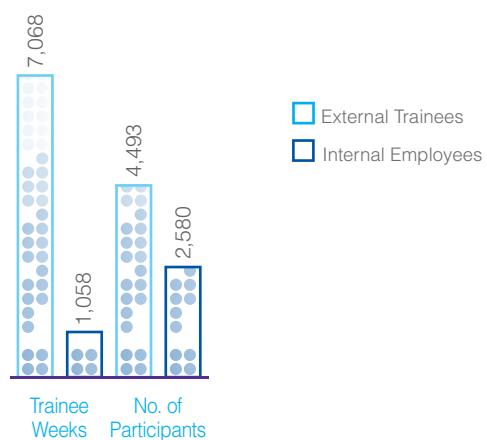
Course	No. of participants	Trainee Weeks
City & Guilds	648	5110.5
Certification in Applied Information Technology (CAIT)	404	1307.3
Others	325	370.6
Total	1377	6788.4

### Trainees' Placement

As a CSR initiative, Sri Lanka Telecom provides opportunities to the students of leading educational institutes to complete their industrial training. Accordingly a large number of students are benefitted through this scheme. 2013 figures are:

Trainees' Placement	No. of participants
Vocational Trainees with Payment	336
Inplant Trainees	546
Total	882

### External and Internal Trainee Weeks and No. of Participants





Knowledge enhancement through Quiz competitions

#### > Creating a knowledge-rich society

Strongly captioned by the country's aspirations, SLT has always sought to facilitate a dynamic, knowledge rich society which would lead Sri Lanka into the future. Forming a large part of this endeavour is the massive Knowledge Management (KM) programme initiated in early 2013, which expects to create an environment that promotes innovation and knowledge sharing in response to changing business paradigms. By bringing together the fundamentals of the KM concept in this manner, SLT expects to formalize the inherent learning and knowledge culture practiced by the company for over a decade, with the ultimate goal of achieving a KM certification for the company.

Following a systematic approach, an appropriate KM framework was formulated to map SLT's existing knowledge base, as the first step of the exercise. Underscored by the value of knowledge sharing, SLT's KM programmes are now conducted regularly to encourage and motivate employees to embrace innovation and continuous improvement. While rewarding these innovative efforts, SLT's KM framework also encourages employees to share their experiences and impart their learnings to a wider audience.

Understanding the critical need for up-to-date knowledge, particularly with reference to products and services, SLT engages a specific KM model to motivate staff of the Contact Centre. The system acts as a repository, indexing and retrieval system for all manner of information including, text documents, worksheets, web pages, video, audio, animations etc. Moreover, by providing user interfaces for entering retrieving and managing information, the Contact Center KM module is a veritable ICT tool that is a key proponent of the self-learning culture advocated by SLT.

#### > Corporate Accountability and Social Responsibility

As a responsible corporate citizen, SLT has long been a key enabler of social change. Directed by a versatile social responsibility and accountability framework, the company endeavours to personify the role as a facilitator of sustainable national development. While corporate social responsibility is a voluntary commitment, SLT's corporate accountability mechanism has been conceptualized to demonstrate the company's commitment towards ethical business practices. While measuring the impact of the company's activities and behaviour in response to the interests of communities directly associated with the business, SLT's corporate accountability indicators also aim to determine the impact of the business on society as a whole.

- **Participation in public policy development and lobbying**

As key enabler of the national economy, SLT's active participation in public policy is primarily to facilitate a robust market environment in the telecom industry. Given that SLT operates under the purview of the Ministry of Telecommunication and Information Technology, all lobbying efforts are channelled through the ministry. Accordingly, participating at a decision making level, SLT continues to lobby the Telecommunication Regulatory Commission Sri Lanka (TRCSL) in an effort

**Strongly captioned by the country's aspirations, SLT has always sought to facilitate a dynamic, knowledge rich society which would lead Sri Lanka into the future.**

to streamline a national ICT policy that would best serve the interests of the telecom industry and the user public while supporting the development goals of the GoSL. Over the years, these timely moves have yielded positive results that have led to the improvement of overall industry standards and steered the industry to where it is today. Moreover, SLT's working committee has on occasion been called upon to provide advisory services to the Treasury in the process of formulating the national budget.

- **Supporting issues of national importance**
- **SLT calls the nation to protect children with an island-wide awareness campaign**

Protecting children from social evils and providing them a safe environment for their growth, has become a vital part of modern life. Supporting this endeavour, SLT, in collaboration with the National Child Protection Authority of Sri Lanka, launched an aggressive

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campaign to stem the alarming increase in child abuse in the country. Bringing together all SLT employees and encompassing over 300 island-wide locations, the massive campaign sought to create awareness and educate the general public on the long term consequences of child abuse.

### • Preserving National Culture and Heritage

#### SLT Calendar for 2014

Captioned under the theme "Preserving heritage for tomorrow" SLT has, over the years advocated the preservation of Sri Lanka's rich heritage for the future generations. The calendar

which has been the catalyst in driving this endeavour in the past remained the key focus of the effort in 2013 as well. Accordingly, the launch of SLT's 2014 calendar entitled "Medicinal Plants of Sri Lanka" depicts 12 varieties of medicinal plants widely known for their medicinal properties and believed to have been used for this purpose for centuries. Moreover, the calendar also contains a wealth of information that is of great educational value and interest for a wide audience, including information on the plant habitat, general features, characteristics and therapeutic uses.

### > Corporate Social Responsibility



## To bridge the country's skills gap and attract greater foreign direct investment, SLT strongly supported Sri Lanka's efforts to showcase the country's technological and ICT capabilities



Medicinal Plants of Sri Lanka

### Education for Development

SLT's "Education for Development" itinerary remains strongly linked to the GoSL's efforts to uplift the standard of education in the country and consequently improve overall national literacy rates as well. Accordingly, during 2013, SLT took a series of steps to uplift the national education standards in Sri Lanka.

#### Book donation programme commemorates its 10th consecutive year

Continuing with the book donation agenda founded in 2004, in partnership with the Asia Foundation, a series of distribution programmes were conducted in 2013 as well. An important community investment to enhance information, education and English Language skills of students and teachers across the island, the programme which was initiated under the theme "Spreading the wealth of knowledge," seeks to distribute books and other educational materials to libraries in a range of institutes across the island including schools, universities, vocational institutes as well as other organizations, with an annual distribution of over 100,000 books.

- Sponsorship for posters and books – Green Forest Association
- Nena Guna Thilina Presidential book project – supported the national programme
- Tantalize 2013 (Student Activity Club – APIIT)
- LEARN, SchoolNet, NODES, LakGovNet,

### Capacity Building

In a bid to bridge the country's skills gap and attract greater foreign direct investment in 2013, SLT strongly supported Sri Lanka's efforts to showcase the country's technological and ICT capabilities vis-à-vis a number of high profile forums and exhibitions.

### Exhibitions (demonstrates technology and capabilities of technologies)

- INFOTEL 2013
- Techno
- Deyata Kirula
- CHOGM

### Conferences (provides total ICT requirements for the forums and facilitate as a lead sponsor)

- FutureGov SAARC
- National Law Conference 2013 – Bar Association of Sri Lanka
- 26th Annual Conference and National APEX Awards
- National Engineering Conference – IESL
- Awareness through demonstrations of technology and capabilities to the audiences of exhibitions like INFOTEL 2013, Techno.

### Supporting Community Health

#### Supporting the Trauma Unit at the Batticaloa General Hospital

In 2013, SLT partnered with The Foundation Supporting a National Trauma Service in Sri Lanka (Project BEAP) to initiate the groundwork to set up a trauma unit at the Batticaloa General Hospital. The scope of the project was to set up an emergency treatment unit at the hospital, with specific focus on an emergency surgical facility. The proposed trauma unit is envisaged to be a multi-storey hospital that will initially have four operating theatres (with provision for four more), a 100-bed ward and a number of key services. Providing access to over two million people living in Batticaloa and surrounding districts, the unit would be a considerable boon to the health care system in the entire Eastern province.

### Sponsorships

#### Empowering sports

- Colombo Night Races
- National Olympic Committee – Olympic Day Run, National Olympic Academy sessions
- Gunner Supercross
- Sri Lanka Government Service Sports Meet

#### Empowering professionalism

- CIM
- CIMA Business Leaders' Summit
- CNCI Achievers' Awards
- National HR Conference

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- National Project Management Excellence Awards
- Annual Conference and National APEX Awards of the OPA
- ICASL Annual Conference
- SLIM International Marketing Conference
- Industrial Excellence Awards
- Leadership Training Programme – Ministry of Wildlife Resources Conservation
- World Summit Awards – ICTA
- CHOGM 2013
- Creative and Digital Mantra 2013 – International Advertising Association

### Empowering arts and culture

- Ridee Rayak
- Annual Christmas festival – Sri Lanka Welfare

- Society of the Blind Sinhala / Tamil new year festival – Western Province Deaf Association
- Poson Kalapaya – Tharunyata Hetak
- National Craft Council – SAARC Exhibition
- Ranaviru Upahara Musical Show – Nava Samagi Kreedha Samajaya
- Viru Dana Gee Sara 5 Musical show – Ministry of Defence
- Bakmaha Ulela 2013 – Welfare Association of the Presidential Secretariat
- Amadahara Wesak Kalapaya 2013 – ANCL
- Buddha Rashmi Wesak Festival – Presidential Secretariat
- Dalada Maligawa Project
- Shilpa 2013

### Empowering national enterprise

- Deyata Kirula 2013
- Sri Lanka National bibliography 50th Anniversary – National Library and Documentation Services Board
- World Postal Day – Department of Posts
- Reflections of Sri Lanka – Ministry of Industry and Commerce

### > SLT's Customer Promise

While improving the customer experience defines SLT's service parameters, responsible product stewardship remains at the crux of the company's efforts to create a socially accountable portfolio of products and services. Assuring customers of the best quality at all times, SLT remains committed to improve the profile of all products and services in conformity with environmental norms and ethical procurement procedures.

By promoting a greater degree of procedural transparency, SLT's competent procurement practices are designed as a failsafe mechanism to ensure all products and services conform to all mandatory health and safety standards. In large part due to SLT's uncompromising attitude to ensure customer health and safety at all times has resulted in an unblemished record with no violations or complaints of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of SLT's products and services at any point in their lifecycle.

Life cycle mapping done at each stage of the product life cycle determines its capabilities and relevance to the current consumer market. Meanwhile, these results are also used to gauge the potential health and safety aspects that may impact the customer, at different stages of product cycle, thereby promoting continuous improvement to rejuvenate the product profile in the customer interest. Over the years,

### > Product Responsibility – Improving the customer experience





Personalised entertainment options through SLT PEO TV

efforts to reengineer products in this manner have proved to be a tremendous success for SLT, with the timely release of a number of new and enhanced products as detailed below:

- Megaline Single, Double and Triple Play Packages
- Range of Broadband packages for diverse segments
- SLT trend setter: Minimum 2Mbps speed is introduced for Broadband service with defined peak and off-peak surfing times.

Striving towards product excellence has also led to a stringent labelling policy that goes beyond the accepted benchmark to embrace a series of voluntary disclosures that encourage customers to make an informed choice at every step of the decision making process. Accordingly, a comprehensive business requirement document outlines the process formulation of all products accompanied by a tariff template for products that require TRC Approvals.

Inimitably linked to the labelling policy, SLT's marketing and communications framework strives to emulate the dynamism of the modern telecommunications industry while striking a balance between traditional Sri Lankan values. Spurred by the commitment to uphold the country's cultural and ethnic diversity and depict national integrity, SLT's marketing and communication policy follows a strictly inclusive strategy that aims to convey its value proposition by engaging a comprehensive tri-lingual format that targets the widest possible audience.

Accordingly, the marketing communication brief addresses all pre-launch issues, while the product launch pack spells out the procedure for each product launch including awareness presentation, business rules, service registration instructions, user manuals and FAQs. Further information on SLT's

products and services can be accessed via the Corporate website, Contact Center, front offices and other customer touch points.

Through this all-inclusive labelling and communication policy, SLT has ensured that all regulatory and voluntary disclosures have been fully complied with. Hence, no complaints or breach of regulations have been reported in this regard.

#### **Introducing the next level of customer service**

Further efforts to improve the customer experience

- Regular field visits that promote one-to-one interactions with customers and field staff
- Collect feedback via Corporate website, customer touch points, Contact Centre, social media team and internal staff
- Proactive engagement based on the analysis of data received from the above sources
- Random calling of a selected sample of customers
- Broadband quality of service alignment to regulatory requirements
- Brand Health Track studies
- Conducting of researches for selected products/customer segments, from time-to-time

While enhancing the customer experience remains a key priority for SLT, all efforts in this regard are done with the utmost care and due diligence that assures customer privacy is maintained at all times, while meticulous procedures ensure that no customer information or data is lost or misused in any way, at any time.

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#### > Profile of Mr. Kapila Chandrasena - CEO (Actg)

Kapila Chandrasena was appointed as the Actg. Chief Executive Officer of Mobitel (Private) Limited in April 2013. Mr. Chandrasena is the Chief Executive Officer of SriLankan Airlines' Group since July 2011. He has served as a Member of the Board of Directors of SriLankan since April 2009, and as Chief Executive Officer of Sri Lanka's regional carrier, Mihin Lanka since December 2008. He is an experienced professional in business management, marketing and engineering.

Mr. Chandrasena has served in senior positions in a number of multinational organisations based in the United States, Australia and Sri Lanka. Prior to taking over reigns in companies across multiple industries, Mr. Chandrasena also served in Senior Management and Marketing Positions with Sri Lanka Telecom, NEC Australia Ltd and Hewlett Packard Ltd.

Mr. Chandrasena holds an MBA from the University of Melbourne, prior to which he was conferred a BSc in Marketing / Engineering by the University of Chicago, Illinois, USA.

#### > CEO's Message

Stemming from the 150 year old legacy of the parent company, Mobitel's core values of professionalism, integrity and service have brought us to the forefront of the mobile telecommunications industry in the country. Epitomizing these values, Mobitel's service credo, "We Care. Always." is deeply ingrained into the very fabric of the business. Permeating across each aspect of our day-to-day operations, these fundamental tenets encourage us to dream bigger and try harder. Indeed our outstanding commitment to excel in all that we do has even won us numerous national and international accolades.

Humbled by our success, we remain committed to deliver the best in-class service at all times, while making every effort to stay competitive, now and in the future. As always, taking a proactive stance, we will continue to realign our strategic focus in cognizance with emerging business trends, thereby delivering meaningful value to all our stakeholders. Moreover, I believe, our tireless pursuit of the most vibrant technologies would help us sustain a credible infrastructure platform to support the future growth of the company.

While technological superiority has traditionally been a key priority for us at Mobitel, operational excellence has emerged as a critical success factor amidst today's competitive commercial environment. As such, we will endeavour to uphold highest standards of governance, integrity, responsibility and accountability as the key pillars that define our operational code. Moving forward, we will leverage on our accomplishments and stay true to our core values, while embracing varying business paradigms in an attempt to build a sustainable business blueprint that would underpin the company's future in the years ahead.

Competition among the five key players in Sri Lanka's mobile operator market persisted during the year. Post imposition of floor pricing the competition has shifted to data and international services.

Moreover, responding to the growing demand for low cost mobile data services and more economical charges for international roaming, in 2013, mobile operators were seen making significant investments towards strengthening capacity and coverage, while the large mobile operators placed much emphasis on the expansion of LTE network.

## > Business Review

Continuing from the trend established in the preceding year, 2013 also proved to be one of consistent growth for Mobitel (Pvt) Ltd (Mobitel). While strengthening core competencies was Mobitel's key focus for the year, the company continued to further enhance the robustness of the technology platform and support the development of the national ICT infrastructure. Meanwhile, the growing demand for multi-faceted mobile services underscored the company's broad strategic thrust to increase island-wide mobile broadband penetration levels, while augmenting the overall user experience.

Amidst saturating voice markets, current industry growth continues to be driven largely by data services, where emerging broadband and wireless technologies have catapulted the communication landscape into a new market realm, with video deemed to be the key contributor of future data growth. Moreover, as the exponential growth in smart devices continues to reshape the demand for broadband data services, mobile broadband has been identified as the key driver of growth. Prompted by this rationale, providing high data transfer rates and enhanced application services together with 3G and 4G LTE technologies would be required to support this growth momentum.

Accordingly, during 2013, Mobitel revisited the existing infrastructure and operational

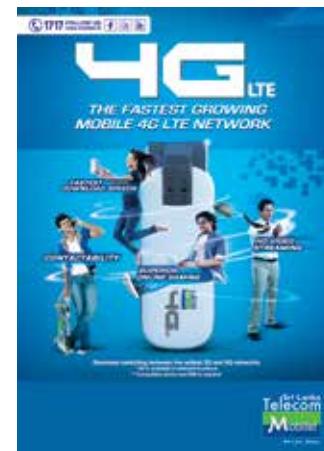
capabilities to assess the level of change deemed necessary to achieve the company's objectives and fulfill the growing demand for mobile data services. Led by a two-pronged approach to achieve the desired results, the company accelerated efforts to enhance network capabilities, while aggressively promoting greater broadband adoption among a larger cross section of users in Sri Lanka. Moreover, envisioning the need for a more dynamic service suite, the company sanctioned efforts to ensure greater affordability in mobile devices, parallel to creating more versatile product offerings equipped to fulfill diverse needs of the modern user.

## > Improving Network Capabilities

By pursuing a strategy to improve network capabilities and coverage, Mobitel aspires to validate the GoSL's broader vision to transform Sri Lanka into a knowledge hub of Asia by 2016. In this context Mobitel has continued to invest in state-of-the-art technology together with a comprehensive network expansion agenda that aims to build a formidable network aligned to the national vision. Having already commenced initiatives to augment existing technology, the company proceeded to rollout technology upgrades that would fortify Mobitel's position as the frontrunner among Sri Lanka's mobile service operators. Key among them being the 4G LTE technology upgrade initiated in late 2012 backed by the power of its parent company,

SLT's extensive fibre network. The launch of this network forms a part of Mobitel's ongoing efforts to expand coverage and quality while advocating innovation that delivers the most advanced mobile internet experience for its customers. Adding a considerable boost to the company's network capacity, the enhanced capabilities of the 4G LTE upgrade is expected to herald a whole new dimension of connectivity, quality and speed. With these superior speeds customers can experience faster download speeds, smooth HD video streaming, superior online gaming, etc.

Enterprises and SMEs will also benefit tremendously from Mobitel's 4G LTE network due to the reliability and capability to generate higher average speeds despite accommodating a larger volume of traffic. By investing in Wi-Fi routers that support 4G LTE technology corporate customers would thus be able to fulfill their business data needs more cost effectively and efficiently than ever before.



The initial phase of the Stage VII network expansion is primarily focused on developing mobile network coverage in rural areas which will enable the general public with better access to telecommunication services.

With majority of the planned 4G LTE network upgrade completed by the first half of 2013, the major cities and towns covered include Colombo, Kandy, Jaffna, Galle, Hambantota, Matara, Kaluthara, Rathnapura, Nuwara Eliya, Negombo and Gampaha. Following the successful completion of Stage VII of the 4G LTE network upgrade, Mobitel received approval for the commercial launch of the technology in mid-2013 which led to the live activation of the technology.

Meanwhile, parallel to the 4G capacity extensions, during the year, the company also continued with efforts to grow Mobitel's 2G and 3G coverage across the island.

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#### > Addressing New Segments

With Sri Lanka's post-war development heightening the threshold for national growth, Mobitel astutely capitalized on a number of emerging opportunities in 2013, to augment the company's market reach vis-à-vis new customer segments. By targeting the right segment of customers with customized service offerings, Mobitel strives to unlock the potential in each of the markets, while generating sustainable value in support of the company's long term commercial aspirations.

To capitalize on the growth in the tourism industry, Mobitel introduced the In-Roamer packages in 2013. A tourist SIM Pack with a bundle offering of Voice, SMS and Data, the In-Roamer packages have an accompanying layered price structure that supports greater flexibility and convenience.

Among the other key segmented offerings introduced during the year is the Family Internet package which offers convenient, high speed Internet connectivity at home. A single package that provides multiple connectivity options, the Family Internet package includes a Wi-Fi router at a special discounted

price and offers a free child filtering facility to ensure safe surfing.

Two other notable additions were also made to the segmented offerings portfolio during the year, namely, the Prepaid Broadband plans that seek to drive greater broadband adoption and the Super Mega Plans aimed at increasing broadband consumption by high user segments.

Furthermore, in a bid to support the widespread use of low cost IDD, the IDD Card concept was extended to the entire island, following the initial launch of the product aimed at capturing the potential IDD market in the North & East regions of the country.

#### > New product innovation

New product innovation has always played a pivotal role in Mobitel's pursuit of competitive differentiation. Advocating the ubiquitous approach to innovation, Mobitel strives to develop distinctive products that extend beyond the scope of mainstream offerings. During 2013, the company launched a series of new innovations that elicits the next generation of mobile services and complements the desired mobility of modern lifestyles.



### The Importance of Collaborative Business Partnerships and Platform Building

Given the potential number of emerging business opportunities, fostering collaborative partnerships has been a key focus area for Mobitel, in pursuing the company's business agenda. Consequently the strong emphasis on product innovation in 2013, prompted Mobitel to aggressively pursue platform building efforts to fulfill these objectives. Accordingly, while building on existing relationships, Mobitel sought to partner with both private sector and government institutions to deliver the measure of change required. The ensuing efforts resulted in a broad range of very successful initiatives that led groundbreaking new changes in the company's product offerings which would undoubtedly strengthen Mobitel's market position in Sri Lanka's mobile landscape, in the years ahead.

#### • Empowered Travel Solutions

In 2013, a collaborative effort between Mobitel and Sri Lanka Railways led to the extension of the mTicketing service to cover railway services across the country.



In addition to extending the coverage for the mTicketing service, in November 2013, the facility was further augmented with the introduction of the mWarrants, an innovative enhancement specifically introduced to enable state sector employees to purchase train tickets via their Mobitel enabled device by simply dialing 365. The hassle-free procedure allows mWarrant holders a 45-day window to plan their travel itinerary and reserve their train tickets accordingly. With 35,000 – 40,000 mWarrants currently being issued per month, the demand for the product is only expected to soar in the years ahead.

### • **Mobile Cash Solutions**

True to Mobitel's credo of 'We Care. Always.', the company introduced yet another service that ideally complements the diverse lifestyles of today. Entitled 'mCash', the service is an initiative to deliver a nationwide Mobile Money service that will provide an unprecedented level of financial inclusion through the empowerment of millions of Sri Lankan citizens with electronic money transfer and payment facilities. mCash is a Central Bank approved supplementary mechanism for money transfers. Available to all postpaid and prepaid Mobitel customers, this facility can be activated by following a simple registration process. Thereafter, they are entitled to transfer money and use their mCash account at over 4,000 mCash merchant points across the country.

This innovative and user friendly service will enable customers to carry out a variety of transactions such as purchasing goods, settling utility bills and sending and receiving money, paying insurance premiums – offering them all-round greater convenience.



### • **NFC -based Solutions**

In October 2013, Royal College, Colombo became the first school to implement the student iCard project in Sri Lanka. Endorsed by the Ministry of Education and the Ministry of Telecommunication and Information Technology, the iCard project works on ground-breaking NFC technology. It will initially be used to monitor students' attendance. Apart from this the iCard can also be used as a payment card to be utilised within the school premises including the canteen, bookshop and school bus etc. The multiple uses of the iCard concept underpins the versatility and enriched functionality of the NFC tools, as an ideal complement to

mobile services technology. An outcome of Mobitel's state-of-the art NFC infrastructure, the iCard initiative is a prominent NFC based solution designed by Mobitel, following the success of several other NFC based solutions such as NFC fuel card, NFC based patient smart-card system etc.

### • **Learning Solutions**



The launch of student iCard project in October 2013 at Royal College, Colombo

Mobitel was appointed the official telecommunications partner for the Sri Lanka Model United Nations 2013 (SLMUN) conference in August 2013, a collaborative effort that brought together the future leaders of Sri Lanka and the region. The presence of international delegates made the conference an ideal platform for Mobitel to showcase Sri Lanka's future readiness in world-class ICT technologies by supporting the event in the capacity as the Official Telecommunications Partner.

Conference delegates were provided the opportunity to experience superior connectivity on Mobitel's 4G broadband network, parallel to Mobitel's mLearning technology, which allowed students and lecturers to connect to live, real-time virtual classrooms from anywhere in the world. Developed to facilitate an interactive mode of learning, the mLearning platform allows students to follow their curriculum from anywhere in the world, saving both time and money.

### • **Integrating low-income communities**

In March 2013, Mobitel in partnership with the Open University of Sri Lanka (OUSL) launched a programme to promote mobile learning among rural women in farming communities. This new endeavour is a follow-through initiative of the Liyasara project launched by Mobitel in the previous year. The project is sponsored by the Commonwealth of Learning (COL) focuses on mobile learning methods aimed at uplifting the quality of life for women and their families in these farming communities,

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where all learning content at the workshops were disseminated through an Interactive Voice Response System activated by mobile technology.

- Mobile Gaming**

In the recent past, the mobile gaming has rapidly developed into one of the fastest growing trends across the globe, with mobile gaming testing the limits of conventional video gaming. Transcending age, gender, language and demographics the exponential growth of mobile gaming has completely altered customer perceptions, giving rise to a whole new dimension of entertainment.

As per the global trend, in Sri Lanka too, the advent of smart devices has catapulted mobile gaming to a whole new realm of entertainment that has swiftly captured the imagination of the consumer. In a bid to tap into the escalating mobile gaming market, Mobitel too engaged in an aggressive campaign to promote the concept among all postpaid, prepaid and broadband users, with particular focus on securing the youth segment in the country. Complemented by the ensuing high speed

capabilities of the 4G LTE network upgrade, Mobitel launched a series of promotions to popularize the mobile gaming in Sri Lanka coupled with a number of value added services. Efforts in 2013 included a number of gaming competitions aimed at delivering the latest trends to the broader island-wide audience. While promoting the company's product and services, the campaign predominantly focused on promoting Mobitel as the network of choice for Online Gaming in Sri Lanka.



Demonstration of online gaming using Mobitel 4G at Infotel 2013

#### Gaming competitions held in 2013

- Gaming Competition at Royal College held in December 2013
- Online gaming at Techno 2013 and Infotel 2013
- Gaming Competition at Liberty Plaza held in December 2013

#### > Extending reach through partnerships

- Extending the mTicketing platform to Sri Lankan Airlines**

In May 2013, Mobitel in partnership with the National Carrier, Sri Lankan Airlines pioneered country's first ever mobile air ticket reservation platform under the mTicketing umbrella. A groundbreaking endeavour that now offers Mobitel customers an end-to-end solution by affording them the opportunity to reserve airline tickets via their mobile phone.

- Hosting Google I/O Extended Colombo Conference**

Mobitel hosted the live-streaming of the Google I/O Extended Conference in Colombo at the Sri Lanka Foundation Institute in May 2013, yet another first for Sri Lanka. An event organized locally, for people who are unable to attend the live conference in San Francisco, the Google I/O Extended Colombo Conference enables developers from all over the world to attend local viewing parties hosted by Google offices, Google Developer Groups (GDGs), and student ambassadors.

- Vidunena eLearning project**

Partnering with Felidae, a leading provider of eLearning products and services in Sri Lanka, under the guidance of the Ministry of Education, Mobitel introduced a new-age educational support programme entitled "Vidunena" in June 2013. An eLearning initiative conceptualized and developed by Mobitel, the Vidunena initiative is deemed to be a catalyst, in creating the knowledge-based economy envisioned by the GoSL. Overcoming traditional classroom methods, the

Vidunena platform offers interactive video content and online resources that can be used by both the student and teacher.



The launch of Mobitel Vidunena eLearning project in June 2013

- **Business Solutions Forum for the SME/SOHO sector**

With the primary objective of popularising new business solutions to SME/SOHO sectors, Mobitel together with the parent company, SLT, launched The Business Solutions Forum for Small and Medium Enterprises (SME) across the country, in August 2013. While making inroads into the emerging business entities of the country remains the primary goal of this exercise, the programme agenda also followed a dual strategy aimed at developing the SME sector in Sri Lanka. Targeting a broad range of SME's, the first segment of the programme was appropriately themed 'Accelerating Your Business' and provided an insight into how Mobitel / SLT's products and solutions would help unlock the potential of an SME business. The sessions proved to be highly successful and were well patronized by a large number of SME's, represented by diverse sectors including banking, plantations, tourism, gemology and service related business.

The second segment of the agenda which saw Mobitel partnering with local business chambers and other commercial entities to conduct a series of workshops aimed at assisting SME/SOHOs to manage their business operation sessions more efficiently and effectively.

A special feature of the workshop included a session on optimizing electricity consumption to enhance profits. Moreover, these forums also afforded a platform for enterprise owners to enhance efficiency by experiencing Mobitel/SLT Solutions. The entire programme was also simultaneously webcasted live through Mobitel's mEvent platform, enabling it to be viewed via the website or on smartphones. Accordingly

a series of joint SME Forums were held in Ratnapura, Matara, Polonnaruwa, Kurunegala, Kandy, Anuradhapura, Jaffna, Hambantota, Galle, Negombo, Batticaloa, Vavuniya and Kilinochchi



SME/SOHO Forum held in Kandy in November 2013

- **e-Mobile Adz**

Mobitel tied up with the Associated Newspapers of Ceylon Limited (ANCL), a leading media house in the country, to offer 'e-Mobile Adz' a unique SMS-based system for placing classified advertisements in ANCL newspapers.

- **Value Innovations**

In the current environment of floor pricing, company has shifted its focus to embrace an innovative pricing strategy for alternative services particularly Broadband and International Services. Accordingly, a range of new products emerged in the broadband domain with Mobitel launching Time-based charging, Content-based charging and Usage-based charging plans. Time based charging allows users cost effective broadband access during off-peak hours, while Content based charging provides value bundles to access facebook, email and YouTube packages for extensive users of these specific applications.

Mobitel with its innovative pricing approach made International Roaming more affordable with the introduction of "Budget Roaming". This latest product uses a mechanism that converts an outbound roaming call into an incoming call, resulting in the call being charged as an incoming call to the person originating the call. This innovative mechanism led to users benefiting from a considerable reduction in roaming charges.

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#### > Promotions

Several promotions were conducted during the year to strengthen Mobitel's "Club Magnate" loyalty scheme and encourage greater usage. The key promotional activations for the year included the "Prepaid Cash Bonanza," a recharge promotion for Mobitel prepaid customers offering weekly prizes worth Rs. 20 Mn, including the opportunity to win cash prizes. Meanwhile, a range of seasonal offers were carried out to promote IDD usage during Avurudu and Ramazan. Moreover, Competitive Roaming rates were offered to selected destinations in Europe, the Middle East and Asia, while specific roaming campaigns launched to target events including the Hajj Roaming Campaign and the Canton Fair Roaming Campaign. In addition to the rate based promotional angle, Mobitel sought to encourage greater broadband adoption vis-à-vis attractive device offers together with innovative package deals to fulfill the needs of diverse customers.

### Enriching the Customer Experience SLT and Mobitel open 'Experience' Centre at Liberty Plaza

Another trailblazing effort by Mobitel and SLT that led to the commissioning of a state-of-the-art teleshop at the Liberty Plaza shopping mall in the heart of Colombo. Mobitel's device-centric customer experience will equip this teleshop with top-of-the-line amenities to cater to their loyal customer base. Conceptualized along a gadget-rich theme, the outlet follows a highly device oriented visual appeal, indeed it is an experience centre where customers receive a first-hand experience of the latest smartphones, tabs and latest data devices released to the market. Furnished with a comfortable seating area dedicated to gaming, the shop offers customers the opportunity to try their hand at the latest games released. In addition to conveniently being located at Liberty Plaza, this experience centre gives visitors the chance to interact with SLT's high speed broadband service and wireless capabilities on their smartphones and tablets. To create an even better experience for their customers within the teleshop, SLT will be providing an experience hub equipped with Wi-Fi technology. Moreover, the shop will also feature a service centre that will cater to the mainstream requirements of both Mobitel and SLT customers alike.

Meanwhile, the ensuing business synergies that arise from this collaborative effort widely complement the customer focus of each company while rewarding increased productivity within Mobitel and SLT respectively.

#### > Financial Review

Amidst operating in an industry confronted with intense competition, Mobitel recorded a growth in performance during Financial Year 2013 with the highest reported post-tax profits of Rs.2.44 billion in company history. This profit was achieved as a combined result of 10% growth in revenue over previous year duly complemented by cost efficiencies obtained through a well-managed cost structure.

In an already saturated voice market, Mobitel was able to capture a significant share of voice subscribers amidst intense competition while making inroads to mobile broadband segment which is the current growth force in the infocomm industry. Thus in 2013 company was able to consolidate its position further with its subscriber base surpassing 5 million mark. Apart from voice services, data as well as value added services contributed towards the growth in revenue. Significant growth in data services is evident with increase in usage as well as increase in adoption which is gradually shifting towards smartphones.

**Amidst operating in an industry confronted with intense competition, Mobitel recorded a growth in performance during Financial Year 2013 with the highest reported post-tax profits of Rs.2.44 billion in company history.**

Mobitel's 10% double digit revenue growth for fiscal year 2013, when interpreting in absolute terms is an increase by Rs.2.55 billion. The sales turnover was recorded as Rs. 27.48 billion in 2013 compared to Rs.24.93 billion in 2012. A similar growth trend continues across the company's profitability indicators EBITDA growing by 11% to cross Rs. 9 billion mark and EBIT growing by 12% to cross Rs. 3.5 billion mark while EBITDA margin for the year 2013 stands healthy at 33%. The strong growth in EBITDA and EBIT can be attributed to prudent cost management initiatives coupled with measures to enhance productivity. As a result of healthy EBITDA coupled with sound cost management initiatives, the cash flow from operations almost reached 10 billion which is an increase by 9%.

The growth in EBITDA also contributed to a Net Profit growth of 114% over previous year. In absolute terms, in 2013 Mobitel reported an After Tax Profit of Rs.2.44 billion as against Rs.1.14 billion in financial year 2012. The 2013 profit was achieved after incurring a depreciation charge of Rs.5.5 billion, 10% higher when compared to financial year 2012, and also higher interest costs compared to the same period. Higher depreciation and interest costs are attributed to the new investments in technology and network expansion during the year. The sharp increase in profitability is also attributable to optimum asset utilization, increased productivity and relatively stable

macro environment that prevailed during the year 2013. It is noteworthy that the profits of 2012 were significantly affected by the depreciation of the rupee during that year which eroded profits. Although there was a devaluation of the rupee in 2013 as well it was marginal thus profits not as affected as in 2012.

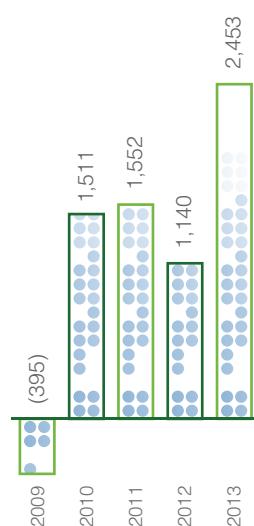
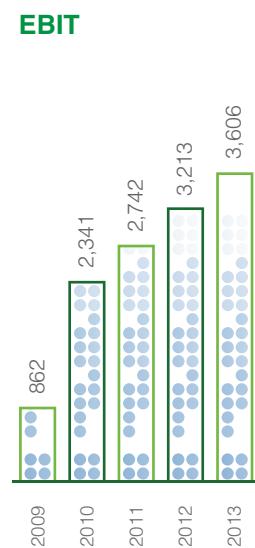
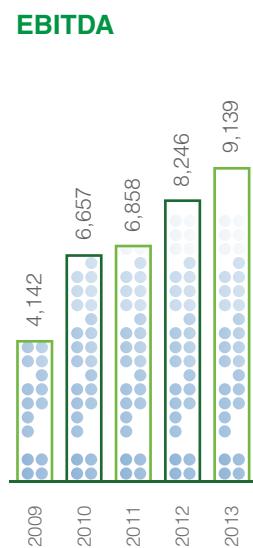
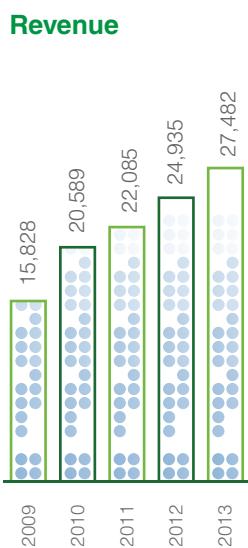
Despite pressures such as the growing intensity in competition and the rapid industry changes that are negatively affecting the company, couldn't deny Mobitel from achieving a strong profitable growth during the year under review.

**> Nurturing a dynamic team**

Mobitel remains committed to develop a dynamic, motivated workforce by creating an environment where all company employees are inspired to discover their full potential both professionally and personally. As such, human resource development is a key priority at Mobitel. Being an equal opportunity employer, Mobitel makes every effort to promote equality and diversity.



Extensive training in 2013 as a commitment to develop empowered individuals in the organization



## Management discussion & analysis

### Mobitel (Pvt) Ltd - Operational Review for 2013

#### > Case Study

#### Mobitel's environmental conservation efforts at base stations

The fundamental infrastructure support network for any mobile operator, base stations are the primary enabler of the mobile services business. Facilitating the core access platform, each of these relay stations performs a key role in enabling mobile connectivity between ports. Hence the process of commissioning a base station is a particularly challenging exercise. Such an endeavour cannot be regarded purely on financial viability alone, but more importantly should be viewed as a strategic assessment to identify the broader environmental implications likely to result from such a move. Thus Mobitel strictly adheres to all guidelines set out by the Ministry of Environment and other relevant authorities when commissioning base stations.

#### Energy conservation

As energy costs continue to mount, many companies are faced with escalating operational costs which continue to erode their bottom line. For mobile operators, the situation is particularly grave, as many scramble to expand their network coverage leading to an insatiable demand for energy. Consequently, the exponential demand for energy together with the sharp increases in prices in the recent past have resulted in energy costs continuing to dominate an even larger chunk operating expenses.

Aware of the dire consequences of such uncontrolled cost escalations, Mobitel has taken proactive steps to mitigate and control the usage of energy, particularly at all of the company's base stations. With radio frequency units consuming the most amount of energy at a base station, Mobitel has eased away from the conventional Dual Carrier Radio Frequency Units (DRFU) in favour of the more energy efficient Multimode Radio Frequency Units (MRFU) technology. Developed using state of the art technology, MRFU's would reduce energy bills by as much as 50%, despite supporting a higher load. Introducing this technology would undoubtedly lead to greater operational efficiencies while also resulting in an automatic reduction in the carbon footprint of each station.

Further efforts to stem the company's energy bill, has prompted Mobitel to deploy outdoor base stations, which do not require stand-alone air conditioning systems for cooling requirements. These efforts are expected to translate into an estimated 25% saving on the overall energy bill.

#### "Camouflage" Towers

Underscoring the growing importance of eco-friendly construction, Mobitel recently introduced "Camouflage" towers, in bid to integrate tower structures with the surrounding environment. By seamlessly integrating with the surrounding environment, these "Green" towers perform its functional purpose while being aesthetically pleasing.

#### Corporate Social Responsibility (CSR)

The underlying ideology behind Mobitel's multifarious approach to CSR, demonstrates the commitment to deliver sustainable development to a broader cross section of the population in cognizance with the national development agenda. Accordingly, dictated by Mobitel's CSR proclamation the company's efforts in this regard aim to transmit meaningful change that would have positive social manifestations for society as a whole.

#### Making all Mobitel branches differently-abled friendly



Mobitel renovated all its branch offices making them accessible to the differently-abled. Mobitel also introduced a dedicated team that will visit differently-abled customers on request to meet their communication needs. For those who are unable to visit the branches a special, personalized service is on offer. This entails the doorstep services of a Mobitel Customer Care Executive. Offered via registration, these services range from SIM card replacements to new connections, service activations and many more.

**Mobitel launches project aimed at uplifting the local healthcare sector: mPHI**



'mPHI', a project designed by Mobitel together with the corporation of the Sabaragamuwa Provincial Health Ministry is one that aims to uplift the efficiency and quality of the country's healthcare sector. Launched initially as a pilot project in the Kegalle district, mPHI includes two solutions: the implementation of an ICT platform for communicable diseases management – this will be used by Public Health Inspectors attached to the Sabaragamuwa Provincial Ministry of Health. The other solution introduced under mPHI is a NFC-based patient smart card system which will be initially used at the Kegalle District Hospital. Both solutions designed by Mobitel are a first for the industry.

**Aamaduwa Beacon Lamp project**



The Ceylon Fisheries Corporation (CFC) was able to set up a Solar Beacon Lamp at the Amaduwa fish landing centre in Hambantota with the assistance of Mobitel. Through Mobitel's donation, 400 fishing families would benefit, as will 125 fishing boats.

**CMC and Mobitel launch NTU-designed Social Media system for Dengue surveillance and communication**



The Colombo Municipal Council's Public Health Department along with Sri Lanka Telecom Mobitel, the Nanyang Technological University, Singapore (NTU) and the University of Colombo School of Computing (UCSC) launched a cutting-edge system titled 'Mo-Buzz' – aimed at Dengue prevention in and around Colombo.

Developed by NTU's researchers, this system can potentially predict Dengue outbreaks weeks in advance and enables citizens to help health authorities monitor the spread of Dengue in real time using smartphones. Mo-Buzz is the first of its kind in the world to use crowd-sourcing for Dengue surveillance.

**mChannelling**



mChannelling in Government hospitals was implemented jointly by the ICT Agency of Sri Lanka and Mobitel at the Dompe District Hospital. This facility could be availed of at the Dompe District Hospital by calling 0711370370. Subsequently once the given steps are followed the patient will be automatically informed through an SMS the time he could visit the physician concerned.

