

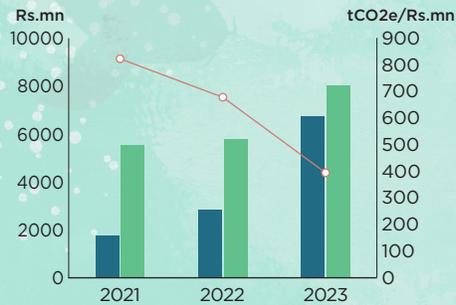


PLANTATIONS

The Sector engages in the cultivation of tea, rubber and other crops through its three Regional Plantation Companies (RPCs) Kelani Valley Plantations (KVPL), Talawakelle Tea Estates (TTE) and Horana Plantations (HPL), which together cultivate over 14,100 hectares of tea and rubber across 55 estates. The Sector also engages in the export of tea through Mabroc Teas (Pvt) Ltd and Martin Bauer Hayleys (Pvt) Ltd.

PLANTATIONS

INTEGRATED PERFORMANCE TRENDS



■ Profit Before Tax — Carbon intensity
■ Employee Value Creation

FINANCIAL PERFORMANCE



Revenue
Rs. 28.62 bn (+65%)



Profit Before Tax
Rs. 6.70 bn (+136%)



Profit After Tax
Rs. 5.00 bn (+89%)



Assets
Rs. 28.50 bn (+57%)



Liabilities
Rs. 13.96 bn (-66%)

Setting benchmarks in quality

18 certifications

Standardisation and certifications for 7 management systems

Rainforest Alliance in 44 estates

First tea factory to obtain ISO 50,001:2018 certification



SETTING BENCHMARKS IN QUALITY

INSPIRING ACTION

NURTURING OUR HUMAN CAPITAL



92,503
Total training hours

Rs. 19 mn
Investment in training and development

7.35
Average training hours



INCLUSIVE VALUE

Health and nutrition

UPLIFTING OUR COMMUNITIES

Ensuring continued food security

Mother and child-friendly estates

STRATEGIC FOCUS AREAS



Productivity and efficiency of resource use



Regenerative and sustainable agricultural practices



Commitment to quality



THRIVING PLANET

Reduction in chemical fertilizer

+2%

Reliance on renewable energy

+83%

Reduction in energy consumption

3%

Carbon footprint reduction

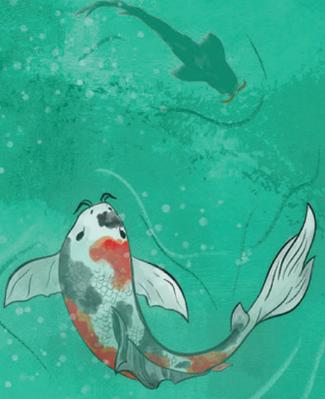
4%

Reduction in water consumption

4%

PRESERVING AND REGENERATING NATURE

Talawakelle Estates is the first Sri Lankan company to commit to the Science Based Targets for emission reduction and obtain verification of its targets

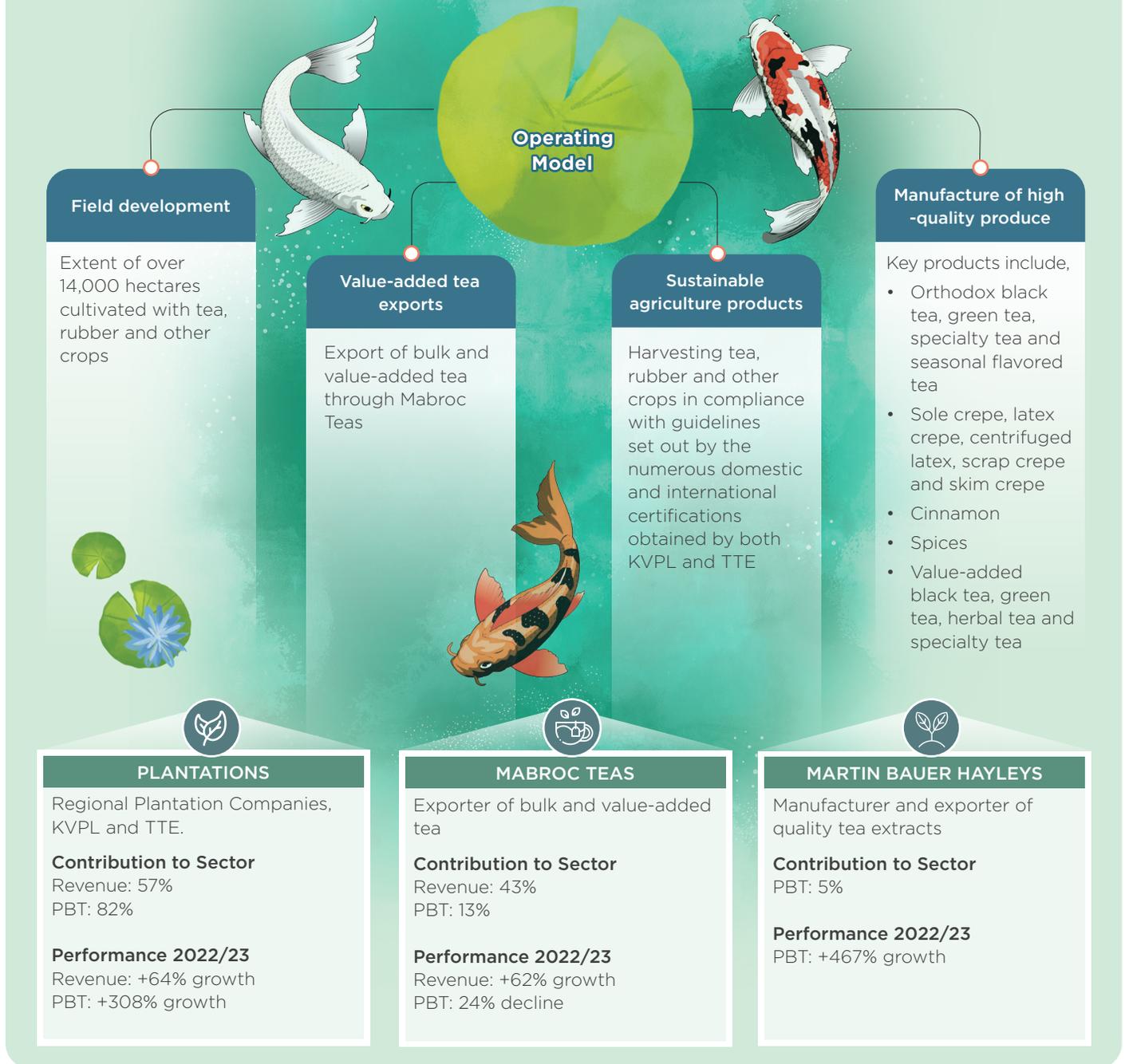


PLANTATIONS

SECTOR OVERVIEW

MARKET POSITION

- Commands industry's highest pricing for tea and rubber
- Accounts for 4.6% and 4.7% of Sri Lanka's tea and rubber production
- Value-added tea exporter

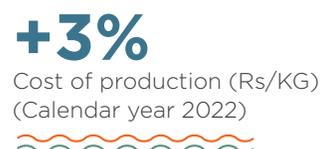
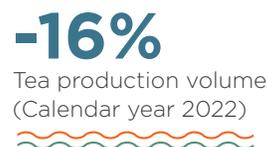


*On the 29th of March 2023, Hayleys PLC (through Hayleys Plantation Services) acquired a majority shareholding in Horana Plantations PLC. This discussion relates primarily to the operations of TTE and KVPL; given the date of acquisition, HPL is not included in this year's non-financial reporting boundary.

OPERATING ENVIRONMENT

Sri Lanka's tea industry witnessed yet another year of mixed fortunes; tea production declined by 16% to 251.5 Kgs in 2022 reflecting cost escalations and shortages in critical input materials such as fertilizer, agricultural chemicals, weedicides and fungicides. While the ban on chemical fertilizer was lifted in November 2021, the subsequent surge in prices has made application extremely costly- which in turn impacted production volumes and yields. Supply-related challenges persisted to 2023, with production volumes declining in the first quarter of the calendar year. The industry however, benefitted from favourable pricing during the year, reflecting the depreciation of the Sri Lankan Rupee, supply shortfalls and robust global demand. Resultantly average tea prices at the Colombo Tea Auction (f.o.b) increased by 105% to Rs.1270.50/kg in 2022, sustaining prices during the first quarter of the calendar year 2023.

The rubber industry experienced a year of multiple challenges, with production volumes dropping by 8% due to the rapid spread of a disease, leading to significant crop loss. Local rubber auction prices increased by 29% during the year, due to the contraction in supply.



Emerging trends and implications on Sector

 Labour shortages	 Increasing cost of production	 Implications of climate change
<p>Labour shortages in the plantation continue to pose a key challenge, with younger generations increasingly pursuing opportunities outside the estates.</p> <p>IMPLICATIONS</p> <ul style="list-style-type: none"> + Opportunities to increase retention through non-wage remuneration models - Implications on yield and productivity 	<p>Sri Lanka's cost of production continues to be higher than competing producers and can affect the country's competitiveness in the global market</p> <ul style="list-style-type: none"> - Long-term implications on demand and pricing 	<p>Climate change causes changes in rainfall patterns, natural disasters and erratic weather which directly affect crop yields and quality</p> <ul style="list-style-type: none"> - Direct implications on quantity and quality of produce

STRATEGY & INTEGRATED PERFORMANCE

The Hayleys' Plantation Sector companies demonstrated strong resilience amidst unprecedented challenges, to maintain their position as the most profitable, quality-focused and sustainable RPCs in the country. Strategic foresight in ensuring business continuity together with relentless focus on revenue maximisation through productivity and quality improvements and regenerative agriculture practices enabled the Sector to record a 65% and 136% growth in Revenue and Profit Before Tax respectively. As the operating challenges evolved rapidly, the Sector took proactive and swift measures to increase fuel, firewood and fertilizer stocks, which

in turn enabled all estates to continue operations without disruption. Both RPCs sustained their market position as leading price takers for Tea and Rubber at the auctions, attesting to the superior quality of its products and strong brand reputation in the industry.

Maintaining employee morale and ensuring their financial security and well-being remained a priority given the socio-economic conditions that prevailed. Both RPCs offered multiple incentives to our estate workers, which included attendance and crop incentives. Numerous measures were taken to also ensure food security of our workers and their families through provision of ration packs, distribution of rice and flour and food incentives. The Sector also expanded the

revenue-share model among workers, providing them an opportunity to generate additional income through an entrepreneurial model. In a key achievement during the year, Hayleys Plantations also hosted a first-of-its-kind Management Symposium for estate-based teams, showcasing transformational innovations and best practices developed by the estate teams. Both KVPL and TTE also maintained the "Great Place to Work" (GPTW) certification during the year, attesting to the quality of its industry-leading people practices.

The Sector increased focus on precision agriculture techniques; this included adoption of more efficient fertilizer application methods which contributed towards better soil

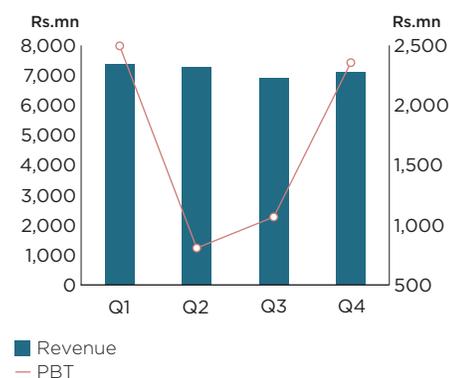
PLANTATIONS

health and more optimal use of fertilizer. Measures were also adopted to maximise land usage through high density planting and crop diversification. Workers continued to engage in manual weeding for the generation of compost, which in turn enabled them to earn an additional income while supporting the Sector's regenerative agriculture practices.

During the year, the Sector invested around Rs.500 mn in the construction of a new state-of-the-art tea factory, designed to comply with international best practices and manufacturing standards. Meanwhile both RPCs have obtained and continue to comply with numerous domestic and international certifications thereby aligning with global benchmarks and management systems on quality, environmental practices, labour management and food safety among others (refer to page 270 for a full list of the certifications)

The Group's bulk and value-added tea exporter Mabroc Teas (Pvt) Ltd. delivered healthy Profit Before Tax of Rs.1.01 bn, although this represented a 24% reduction in comparison to the previous year due to high price competition and unfavourable exchange rate dynamics. Mabroc also leveraged its capabilities in producing customised blends, which has enabled it to make inroads in the Chinese market, emerging as the largest Sri Lankan tea exporter to China.

QUARTERLY PERFORMANCE TRENDS



Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	28,622	17,369	+65	15,930
Earnings Before Interest and Tax	5,517	2,450	+125	1,887
Net Finance Income/(Cost)	806	349	-131	(162)
Profit before tax	6,703	2,846	+136	1,773
Profit after tax	4,967	2,622	+89	1,553
Assets	28,498	18,189	+57	16,178
Liabilities	13,964	8,411	-66	8,557
Operating cash flow	4,758	1,672	+185	621
OPERATIONAL HIGHLIGHTS				
Average pricing for tea (Rs/KG)				
- TTE	1,517	718	+111	673
- KVPL	1,501	718	+109	680
- HPL	1,310	625	+110	614
Production volumes (MT)				
- Tea	11,444	13,464	-15	13,400
- Rubber	3,361	3,771	-11	4,410
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	12,589	14,003	-10	14,631
Remuneration/employee (Rs.mn/employee)	0.6	0.4	50	0.4
Revenue/employee (Rs.mn/employee)	2.28	1.2	90	1.1
Net profit/employee	0.4	0.2	100	0.1
RESOURCE EFFICIENCY				
Energy consumption (MJ mn)	384	395	-3	376
Energy intensity (MJ/Revenue mn)	13,416	22,731	-41	23,588
Carbon footprint (tCO2e)	11,271	11,760	-4	13,085
Carbon intensity (KG CO2e/Revenue Rs.mn)	393	677	-42	821
Water consumption (litres '000)	94,535	98,698	-4	108,409
Water intensity (litres/Revenue Rs.mn)	3301	5,682	-42	6,805

HORANA PLANTATIONS PLC (HPL)

HPL is a leading RPC with agribusinesses specialising in the production, processing and marketing of diversified crops, including tea, rubber, oil palm and coconut. The Company operates 14 estates covering nearly 6,520 hectares in the central hills and low country. One of the leading prices takers in both the tea and rubber industries, HPL has built a reputation for sustainability through compliance to several international certifications including Rainforest Alliance, Ethical Tea Partnership, Fair Trade and ISO 14001: 2015 among others.

Rs. 3.79 bn
Revenue

657
Profit Before Tax (Rs.mn)

3,434
Employees

Spotlight



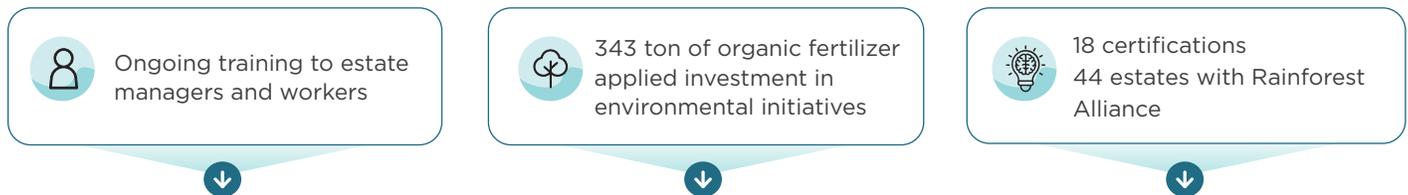
BEST TEA HARVESTER COMPETITION

The Hayleys RPCs successfully concluded the second annual 'Best Tea Harvester Competition' in February 2023, showcasing the commitment and skills of the Hayleys Plantation team. The preliminary stage of the competition was held across all tea estates of the Hayleys RPCs, with the final competition featuring 40 estate-level winners. The overall winner was selected based on the quantity and quality of tea plucked within a set time and winners were awarded cash prizes.

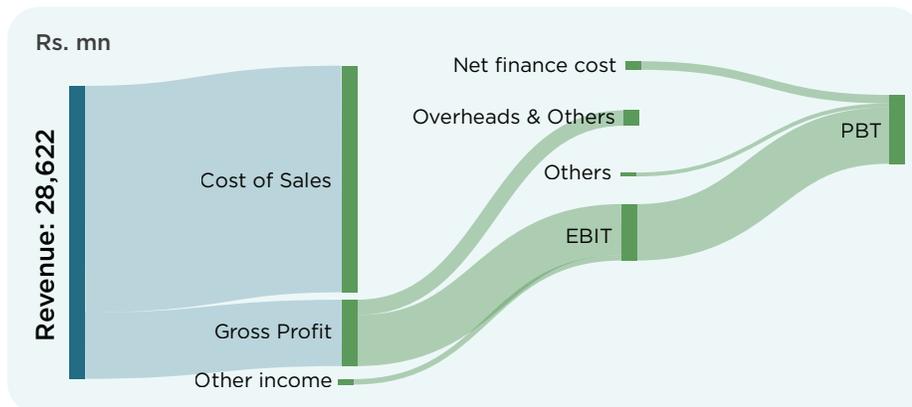
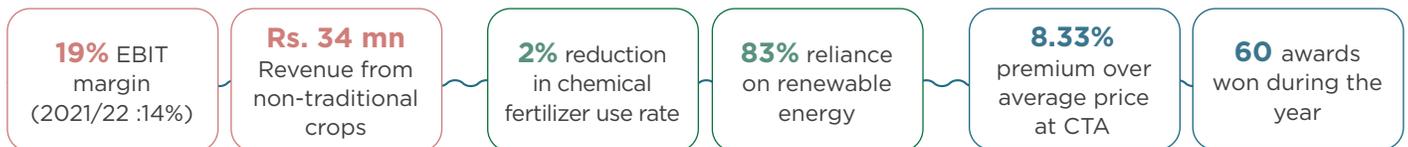
STRATEGIC PRIORITIES



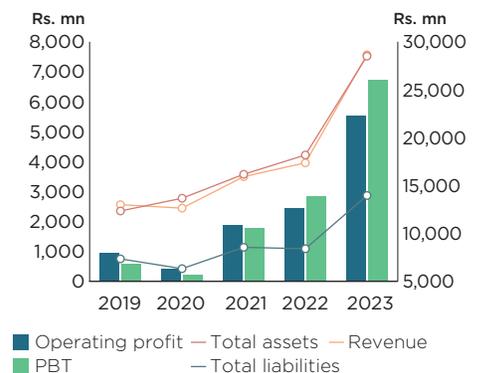
RESOURCE ALLOCATION



STRATEGIC KPIS/PRE-FINANCIALS



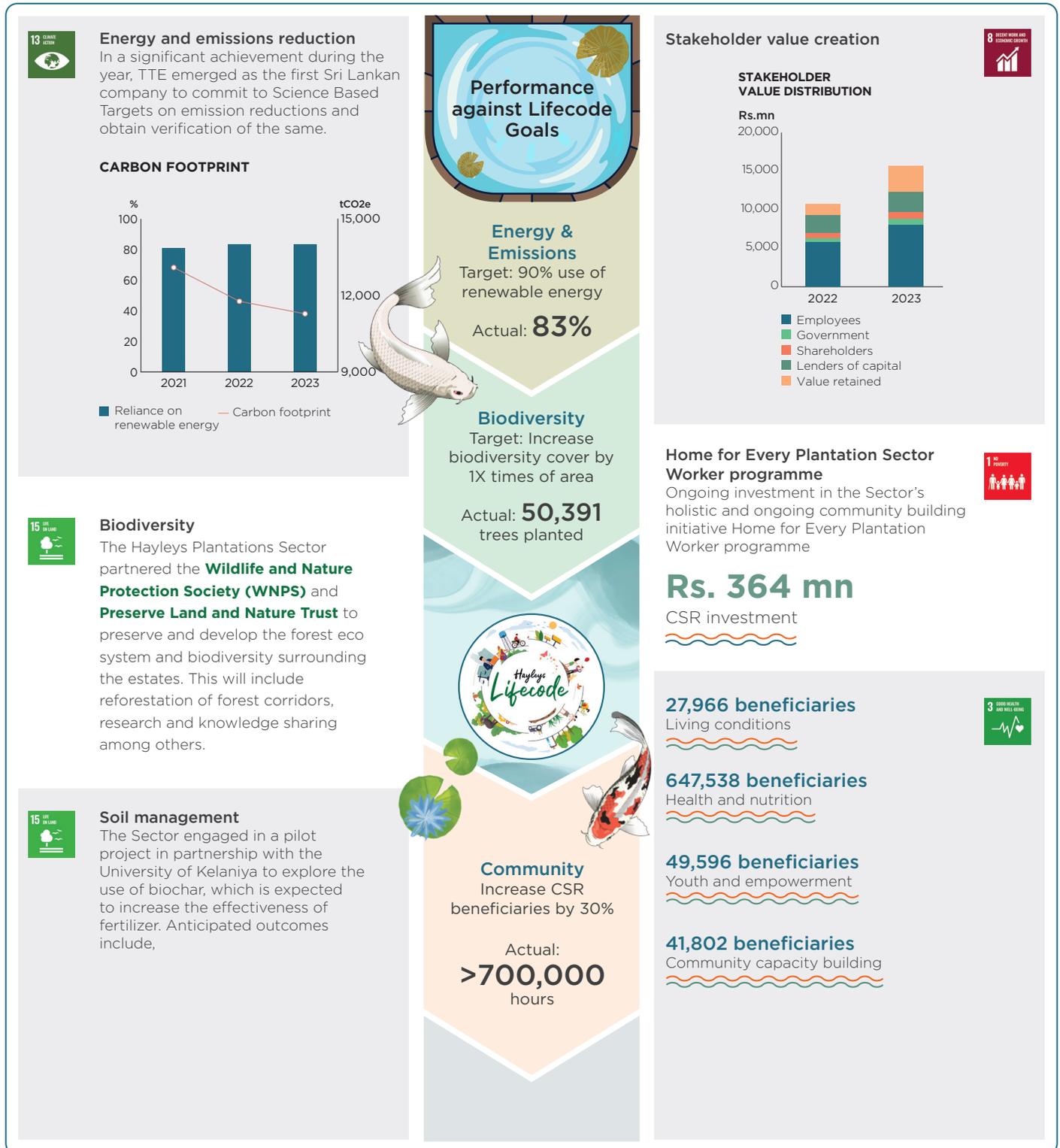
SECTOR FINANCIAL PERFORMANCE



PLANTATIONS

ESG IN ACTION

As industry leaders in sustainability, both KVPL and TTE have long-since embedded sustainability considerations into business strategy, operations and processes. Since 2022, both RPCs have refined their respective ESG agendas to align with the aspirations of the Hayleys Lifecode. Progress made against key targets in 2022/23 are given below:



SASB DISCLOSURES

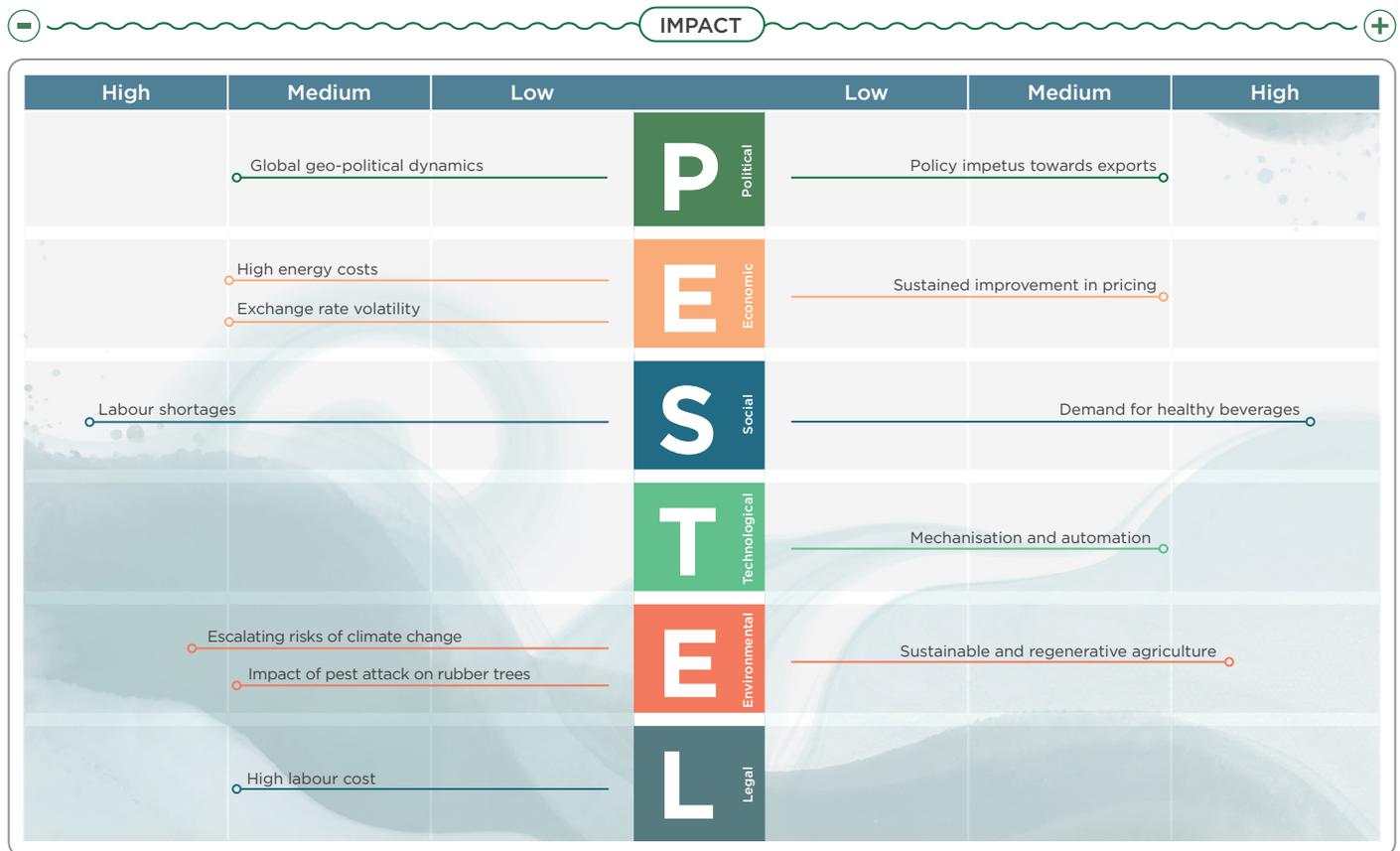
Table: Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO ₂ e	FB-AG-110a.1	5,104
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	TTE and KVPL have both committed to the SBTi and embarked on an ambitious journey to reduce its carbon footprint and achieve net-zero.
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	GJ %	FB-AG-110a.3	5,820 2%
Energy Management	(1) Operational energy consumed (2) Percentage grid electricity (3) Percentage renewable	GJ % %	FB-AG-130a.1	384,259 3% 83%
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances		FB-AG-250a.1	N/A
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification programme	%	FB-AG-250a.2	N/A
	(1) Number of recalls issued (2) total amount of food product recalled	Number MT	FB-AG-250a.3	0
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	Percentage (%) by cost	FB-AG-430a.1	89%
	Suppliers' social and environmental responsibility audit (1) non-conformance rate (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-430a.2	N/A
GMO Management	Discussion of strategies to manage the use of genetically modified organisms (GMOs)		FB-AG-430b.1	N/A
Ingredient sourcing	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Page 276
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			N/A
ACTIVITY METRICS				
Production by principal crop Tea Rubber		MT	FB-AG-000.A	11,443 3,361
Number of processing facilities		Number	FB-AG-000.B	32
Total land area under active production		Hectares	FB-AG-000.C	10,251
Cost of agricultural products sourced externally		Rs. mn	FB-AG-000.D	2,006.49

PLANTATIONS

PROSPECTS AND PLANS

Sri Lanka's tea production levels are expected to recover in 2023, following the negative growth recorded by all elevations in 2022. Favorable weather conditions together with improved availability of chemical fertilizer is expected to support improved crop levels. On the other hand, rising input costs remain a critical concern as consistently high prices could affect the country's competitiveness in the international tea market. Meanwhile global economic and geo-political dynamics in major tea-buying markets have rendered the outlook on demand and pricing extremely unpredictable over the short-term. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



Against this backdrop, the Plantation Sector will maintain focus on leveraging its competitive strengths in quality and sustainability to drive consistent improvements in production volumes, yields and profitability. Driving precision agriculture practices through aligning with global benchmarks in total systems management will also remain a priority, with ongoing investment in capacity building and improving organisational processes. Meanwhile, Mabroc will seek to further strengthen its market position through customer acquisition, increased penetration into markets with potential and ongoing investments in new product development.

STRATEGIC PRIORITIES	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Pursue opportunities in selective crop diversification including cinnamon, coconut and strawberries among others Increased mechanisation and automation Drive initiatives to reduce cost of production Ongoing investments in replanting Productivity-based remuneration models to support increased income generation Widen distribution of Mabroc brand 	<ul style="list-style-type: none"> New product development and market expansion in value-added tea Automation and mechanisation to enhance productivity Capacity expansion in both tea manufacturing Revenue share and non-wage models for harvesting
<p>Short-term goals Gearing < 10% Dividend rate > 40%</p>	<p>Medium-to-long term goals ROCE > 20% Gearing ratio < 5%</p>