

In this our

nd

132 year,

we celebrate the unified
diversity of Hayleys...

that serves to make us
that one company
whose “whole is
greater than the sum
of its parts”



Sustainability Report

KEY IMPACTS, RISKS AND OPPORTUNITIES FROM AN ECONOMIC PERSPECTIVE

The global economy continued to suffer the fallout of the chaos of 2008/09 and contracted by 0.6% in 2009. Trends of diminished demand continued to affect trade and commerce worldwide.

World oil prices stabilised at US\$ 57.39 per barrel after a wild swing from the highs of July 2008 (US\$ 147.28), to the lows of December 2008 (US\$ 33.87). This fall in oil prices served to mitigate the high energy costs the country faced in the previous financial year

Sri Lanka's economy grew by 3.5% - a reduction of the 6% growth achieved in 2008/09.

Previous year's high inflation came down to single digit territory from a high of 28.2% in July 2008, for annual average inflation in 2009 to be 3.5% at year end.

The effects of global recession were to be seen across all key parameters of the local economy.

The Industrial sector grew by 4.27% as against 5.9% last year. Lowered demand due to the global recession was the key reason for this low growth.

The Agricultural sector grew 3.2%, also down from last year's 7.5%. Performance was undermined by a protracted drought in early 2008.

The Services sector grew by 3.3% down from 5.6% last year. The global downturn led to a contraction of wholesale/retail trading activities. However, domestic trade performed well with robust demand from the local consumer base. The leisure sector recorded growth, encouraged by the cessation of war and an expansion of local and foreign tourism.

Sri Lanka's export earnings declined by 17.2%. The sectors hardest hit were Industry and Agriculture.

The impact of Hayleys enterprise in economic terms is discussed in detail under the section 'Economic Performance' on page of this Report.

FROM A SOCIAL PERSPECTIVE

Hayleys' enterprise is conducted amidst diverse communities both in Sri Lanka and overseas.

The Group is mindful at all times of the impact its operations may exert on these communities and conversely, the impact community considerations may have on its business.

We are guided by the principles of the United Nations Global Compact (UNGC), which seeks to promote responsible corporate citizenship to surmount challenges posed by globalisation.

A detailed account of our interaction with society appears in the section 'Social Performance' commencing on page 55 of this Report.

FROM AN ENVIRONMENTAL PERSPECTIVE

Environmental impacts on the businesses of Hayleys, as well as those of our business on the environment, are as varied as our portfolio.

These are discussed in fuller detail under the section on 'Environmental Performance' starting on page 50 of this Report.

ORGANISATIONAL PROFILE

Details of Hayleys' corporate information appears on the inner back cover of this Report.

Details of Hayleys' subsidiaries, associates, business segments and product portfolio appear within the section 'Report Parameters' appearing from pages 36 to 38 of this Report.

AWARDS

Honorary CILT Fellowship
Mr. A M Pandithage

**National Chamber of Exporters -
NEC Export Award 2008**
Bronze Award - Large Sector, Haycolour (Pvt) Ltd.

**USAID's Global Development Alliance (GDA)
Award 2009**
Winner - Sunfrost (Pvt) Ltd.

ICS Best Customer Service Award 2009
*For Specified Shipping Lanes - A Hayleys
Advantis Subsidiary*

**Institute of Chartered Accountants' (ICASL)
Annual Report Awards 2009**
Hayleys PLC
*Silver Award Overall Winner -
Excellence in Financial Reporting*
*Bronze Award -
Corporate Social Responsibility Reporting*
*Gold Award -
Diversified Holdings (above 5 subsidiaries)*

Hayleys Advantis
Silver Award - Services Sector

Kelani Valley Plantations PLC
Silver Award - Plantation Companies Sector

**South Asian Federation of Accountants (SAFA)
Awards 2009**
Hayleys PLC
Best Annual Report - Overall Winner
*Best Presented Accounts Award - Hospitality,
Health, Transport and Shipping category*

Corporate Accountability Ratings 2010
Silver Ranking - Hayleys Advantis

Ceylon Specialty Tea of the Year 2009/10
*Gold Award and Bronze Award, Nuwara Eliya
category - Kelani Valley Plantations PLC*

**Agri Business Awards 2009 presented by the
National Agri-Business Council (NAC)**
Hayleys Agro
Gold - (Large Category) Input Supplier
*Silver - (Large Category) Farm Machinery and
Equipment*
Silver - (Large Category) Extension Services
Gold - (Medium Category) Veterinary Products

**National Business Excellence Awards 2009
conducted by the National Chamber of Commerce**
Logiwiz
Gold Award - Logistics and Transport Sector
Silver Award - Knowledge Integrator Category

Talawakelle Tea Estates PLC
*Gold Award - Agriculture and
Plantations Sector*

International ARC Awards 2009
Hayleys PLC
*Silver Award - Overall Annual Report,
Diversified Business*
*Silver Award - Interior Design,
Diversified Business*

Colombo Municipal Council
Honoured Citizen of the Year 2010
Hayleys PLC

**Achieved the ECO PASSPORT from
HOHENSTEIN INSTITUTE , GERMANY, the
certification institute for OKEOTEX 100**
Haycolour (Pvt) Ltd.

**EFMD (European Foundation for Management
Development) Award for INSEAD (Institut
Européen d'Administration des Affaires)
Case Studies**
Hayleys PLC

ACCREDITATIONS



ISO 9001:2000
Quality Systems Certification

- Hayleys Agro Biotech (Pvt) Ltd
- HJS Condiments Limited
- Puritas (Pvt) Ltd




ISO 14001:2004
Environmental Management
System Certification

- Hayleys MGT Knitting Mills PLC
- Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
- HJS Condiments Ltd.
- Ravi Industries Ltd.
- A Hayleys Advantis Subsidiary.
- Haychem Ltd.
- Dipped Products PLC and its following subsidiaries
Grossart (Pvt) Ltd.
Venigros (Pvt) Ltd.
Neoprex (Pvt) Ltd.
Texnil (Pvt) Ltd.
Hanwella Rubber Products Ltd.



ISO 9001:2008 Certification

- Hayleys MGT Knitting Mills PLC.
- Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
- Hayleys Exports PLC
- Toyo Cushion Lanka Ltd.
- Haychem Ltd.
- HJS Condiments Ltd.
- Dipped Products PLC and following subsidiaries were changed to ISO 9001:2008 Certification:
Grossart (Pvt) Ltd.
Venigros (Pvt) Ltd.
Neoprex (Pvt) Ltd.
Texnil (Pvt) Ltd.
Hanwella Rubber Products Ltd.
Haycarb PLC
Lignocell Ltd.
- Five Hayleys Advantis subsidiaries



CE Certifications under
European Directive

- Dipped Products PLC and its subsidiaries



SGS Retail Supplier Certification

- Dipped Products PLC and its subsidiaries



ISO 13485:2003 Certification for
Medical Products

- Dipped Products Thailand Ltd.



German Institute for Quality
Assurance and Certification

- Dipped Products PLC



Hazards Analysis & Critical Control
Points (HACCP) Certification

- HJS Condiments Ltd.
- Hayleys MGT Knitting Mills PLC
- Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
- Kelani Valley Plantations PLC



ISO 22000:2005 Food System
Management System Certification

- Talawakelle Tea Estates PLC
- Kelani Valley Plantations PLC
- HJS Condiments Ltd.



OHSAS 18001 Certification

- HJS Condiments Ltd.
- Logiwiz Ltd.



FDA Approval from USA

- HJS Condiments Ltd.
- Kelani Valley Plantations PLC.



GLOBAL G.A.P.

- Kelani Valley Plantations PLC

Other Accreditations





- Fairtrade Certification

Sustainability Report

REPORT PARAMETERS

REPORT PROFILE

This Report covers the period 1st April, 2009 to 31st March, 2010. It has been compiled with data and performance indicators falling within the stipulated period except in the case of the section on Awards and Accreditations (page 35), which includes more recent updates.

The report has been formulated upon the reporting principles and methodology of GRI version 3 of 2006.

In view of the highly diversified nature of our business, some data presented herein may not have covered the entire Group. We are making significant headway in addressing this issue and are gradually improving our reporting.

The most recent of previous reports produced by Hayleys PLC was released on 31st March, 2009.

The Company adopts an annual reporting cycle.

Any questions or inquiries pertaining to this Sustainability Report may be directed to the Corporate Affairs Unit at info@cau.hayleys.com

REPORT SCOPE AND BOUNDARY

This report covers the performance of the businesses within the Hayleys Group.

The 'Triple Bottom Line' performance is reported in accordance with the criteria pertaining to Level B of the GRI guidelines.

We affirm that no stakeholder engagement has been undertaken specifically for the purposes of sustainability reporting.

The report on Economic Performance has been prepared from data contained in the Group's Audited Accounts for the financial year ended 31st March, 2010. The Audited Accounts were prepared in accordance with the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards and have been audited by Messrs KPMG Ford, Rhodes, Thornton & Co.

Data on Environmental and Safety issues has been compiled from actual operating data maintained by the various businesses, factories, hotels and other units of the Group.

Data on Social Responsibility was obtained on-site.

GLOBAL MARKETS & MANUFACTURING		
Sector	Name of Company	Nature of Business
Fibre	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Volanka Exports Ltd.	Coir-based products and essential oils
	Haylex BV Group	Marketing
	Ravi Industries Ltd.	Industrial and household brushware
	Hayleys Exports PLC	Value added coir-based products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	OE Techniques Ltd.	Essential oil
	Rileys (Pvt) Ltd.	Cleaning devices
	Haymat (Pvt) Ltd.	Coir fibre mats
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Superfelt (Pvt) Ltd.	Needled and thermo bonded felt pads
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	PT Tulus Lanka	Coir, coir fibre, pith & related products
	Tianjing Shanglon Mattress Co. Ltd.	Rubberised coir
Hand Protection	Dipped Products Group	General purpose and speciality rubber gloves
Purification Products	Haycarb Group	Activated Carbon
Textiles	Hayleys MGT Knitting Mills PLC	Knitted fabric
AGRICULTURE & AGRI BUSINESS		
Sector	Name of Company	Nature of Business
Agri Inputs	Hayleys Agro Products Ltd.	Crop production and protection materials, agricultural equipment and animal health products
	Hayleys Agro Fertiliser (Pvt) Ltd.	Fertiliser
	Haychem (Pvt) Ltd.	Crop protection, household and public health chemicals
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
	Agri Products	Quality Seed Company (Pvt) Ltd.
Sunfrost (Pvt) Ltd.		Fresh/processed vegetables
HJS Condiments Ltd.		Retail-packed, processed vegetables
Hayleys Agro Biotech (Pvt) Ltd.		Phyto chemicals & horticultural tissue culture products
Hayleys Agro Farms (Pvt) Ltd.		Planting material
Plantations	DPL Plantations (Pvt) Ltd.	Plantation management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Hayleys Plantation Services (Pvt) Ltd.	Plantation management
	Talawakelle Tea Estates PLC	Processed black tea

TRANSPORTATION & INFRASTRUCTURE		
Sector	Name of Company	Nature of Business
Industry Inputs	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw material
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
	Hayleys Lifesciences Ltd.	Supplying health care equipment
Power & Energy	Recogen (Pvt) Ltd.	Charcoal and power generation
	Bhagya Hydro (Pvt) Ltd.	Hydro power
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power
	TTEL Hydro Power Company (Pvt) Ltd.	Hydro power
	Hayleys Hydro Energy (Pvt) Ltd.	Hydro power
	TTEL Sommerset Hydro Power (Pvt) Ltd.	Hydro power
	Nirmalapura Wind Power (Pvt) Ltd.	Wind power
	Mawanana Power Company (Pvt) Ltd.	Hydro power
	Biofuels D Z (Pvt) Ltd.	Bio fuels
	Transportation	Hayleys Advantis Group
CONSUMER & LEISURE		
Sector	Name of Company	Nature of Business
Consumer Products	Hayleys Consumer Products Ltd.	Lighting, photo imaging, healthcare
	Hayleys Consumer Marketing (Pvt) Ltd.	FMCG
	Hayleys Electronics Group	Consumer durables
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products
Hotels & Resorts	Hunas Falls Hotels PLC	Hoteliering
	Carbotels (Pvt) Ltd.	Hotel investment
	Tropical Villas (Pvt) Ltd.	Hoteliering
	Eastern Hotels Ltd.	Hoteliering
	Negombo Hotels Ltd.	Hoteliering
	Jetwing Hotels Ltd.	Hoteliering
	Hotel Services (Ceylon PLC)	Hoteliering
	Investments & Services	Hayleys Group Services (Pvt) Ltd.
Dean Foster (Pvt) Ltd.	Investment	
Volanka (Pvt) Ltd.	Investment	
Volanka Insurance Services (Pvt) Ltd.	Insurance broking	
Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing	

ASSURANCE
GOVERNANCE, COMMITMENTS AND ENGAGEMENTS
Governance

Hayleys has an emancipated governance structure in place. A comprehensive review of these measures appears in the Hayleys Governance report appearing on page 90 of this Annual Report.

Commitments to External Initiatives

- Signatory to Sri Lanka Business Coalition on HIV/AIDS
- Pioneer signatory to CEO Water Mandate
- Endorser of UN Global Compact
- Member of NANCO (Sri Lanka Institute of Nanotechnology)

Stakeholder Engagement

The chart appearing below is self explanatory.

Shareholders	
Sustainability Issues & Concerns	Process of Engagement
<ul style="list-style-type: none"> ● Profit and growth 	<ul style="list-style-type: none"> ● Annual General meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management ● Quarterly financial reports, which provide a review of current performance during the year, as do simultaneous media releases ● An open door policy, which enables shareholders to visit and obtain information from the Company Secretaries and engage in dialogue ● Web site, regularly updated ● Meetings with fund managers, share brokers and investment analysts ● Email address, provided for comments and suggestions
Employees	
<ul style="list-style-type: none"> ● Remuneration and benefits ● Career progress ● Work stimulation ● Health and safety ● Balance between professional and personal life ● Working facilities and environment 	<ul style="list-style-type: none"> ● A performance management system is being implemented facilitating transparent evaluation, dialogue and performance based remuneration and reward ● Formal meetings and less structured contact in the course of work ● 'Job Banding' has been launched and upon completion will facilitate uniformity of designations and remuneration, greater transparency and clarity with regard to designations and 'organisational fit' across the companies and sectors ● The CEO's Forum quarterly provides an interactive forum with senior management, discussing current performance and future prospects and allowing a frank question and answer session ● Monthly meetings of Clusters ● Employee intranet, accessible to any employee with a facility to e-mail suggestions/questions ● Quarterly news letter ● Hayleys Group Recreation Club activity, which provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation

Customers	
<ul style="list-style-type: none"> • Product quality • Availability • Standard of aftercare • Availability of aftercare 	<ul style="list-style-type: none"> • A Customer Satisfaction Index is maintained by many of our companies • Customer Relationship Management (CRM) enables companies to keep in touch with their customers on a regular basis • Regular customer visits and reviews help build and maintain rapport • Events such as Dealer and Distribution Conventions are held periodically
Business Partners	
<ul style="list-style-type: none"> • Market share • Profitability • Aftercare 	<ul style="list-style-type: none"> • Visits from principals and to principals' locations facilitate engagement • Conventions for partners, distributors and dealers are held once a year or at regular intervals • Robust communication systems enable continuing dialogue on product quality, marketing, customer satisfaction and problem solving • Corporate updates on important group activities via brochures, DVDs and the like • Website, regularly updated • Participation at International Trade Fairs, with a view to expanding network of business partners and reach of product distribution.

ECONOMIC PERFORMANCE

Group profitability grew by nearly 471% during the year 2009/10 resulting in the most successful year for Hayleys since its inception 132 years ago. Although the Group's exposure to manufacturing and to international trade posed great challenges the Group was able to overcome these through management initiatives such as tighter control of working capital, closer management of foreign exchange exposure and, efforts to minimise cost and consumption of energy. Operating profit before net finance costs from continuing operations for 2009/10 stood at Rs. 4 bn.

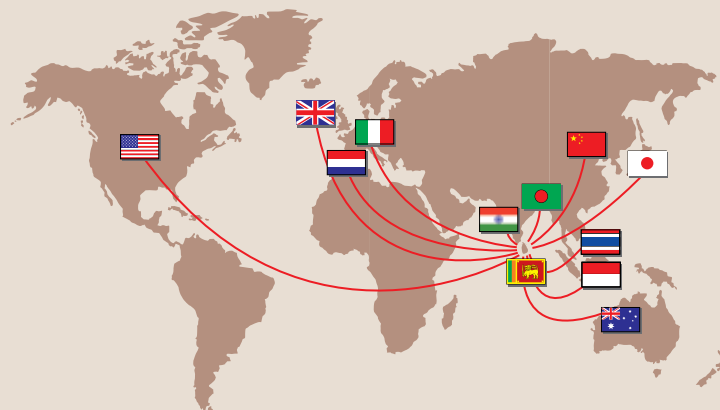
All sectors of the Group recorded a profit before tax whilst the performance of the Hand Protection, Purification

and Agri Input sectors of the Group were very heartening this year.

In this successful year, the Group proposes an increased dividend of Rs. 4 per share (2008/09 - Rs. 3 per share), reflecting the Group's continuous commitment to deliver reasonable returns to shareholders. Further, the share price of Hayleys PLC grew from Rs. 90/- as at 31st March 2009 to Rs. 225 as at 31st March 2010 thus reflecting the market's confidence in the Company.

The Group continues to focus on bringing up internal efficiencies to work processes and on rationalising its investments where possible, to counter the challenges it faces.

Hayleys Overseas



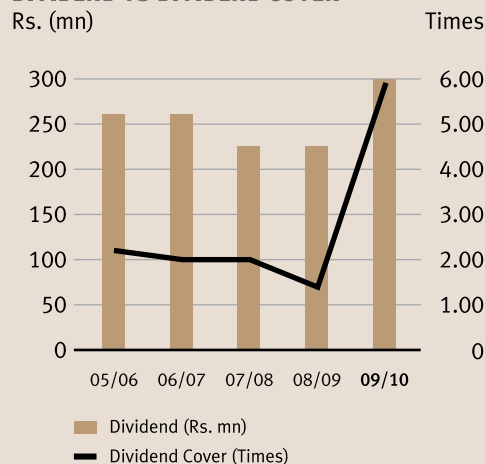
VALUE GENERATED AND DISTRIBUTED

The Group Value Addition Chart appearing below gives all salient data on this subject:

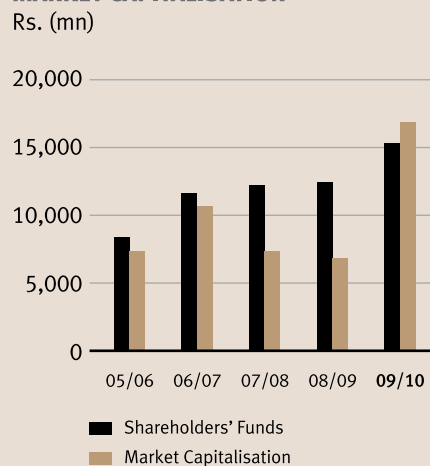
Group Value Addition

	2009/10 Rs. mn		2008/09 Rs. mn	
Turnover		38,251		32,443
Other Income		–		–
		38,251		32,443
Cost of Materials and Services bought in		(27,148)		(23,288)
		11,103		9,155
	Share %		Share %	
To Employees as Remuneration	48	5,328	56	5,302
To Government Revenue	14	1,523	11	1,201
of Sri Lanka	12	1,355	10	1,061
Overseas	2	168	1	140
To Shareholders as Dividends	3	300	3	225
To Lenders of Capital	14	1,579	21	1,658
Interest on Borrowings		717		1,166
Minority Interest		862		492
Retained in the Business	21	2,374	9	769
Depreciation		964		799
Profit Retained		1,410		(30)
	100	11,103	100	9,155

DIVIDEND VS DIVIDEND COVER



SHAREHOLDERS' FUNDS VS MARKET CAPITALISATION



Investor Information

History of Dividends and Scrip Issues

Year ended 31st March,	Issue	Basis	No. of Shares '000	Cum. no of Shares '000	Dividend (%)	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80	160
1954	Rights (at Rs. 10/-)	1:02	10	30	55	165
1955				30	50	150
1956	Bonus	5:06	25	55	32.5	179
1957	Bonus	3:11	15	70	37.5	330
1958	Bonus	3:07	30	100	20	200
1959				100	10	100
1960				100	18	180
1961	Bonus	1:02	50	150	7.5	262
1962	Bonus	1:03	50	200	15	300
1963				200	15	300
1964	Bonus	1:04	50	250	15	375
1965				250	20	500
1966				250	18	450
1967				250	15	375
1968				250	12.5	313
1969				250	15	375
1970				250	15	375
1971				250	15	375
1972				250	11	275
1973				250	11	275
1974	Bonus	1:01	250	500	11	275
1975				500	18	450
1976				500	10	442
1977				500	11	460
1978				500	15	584
1979	Bonus	1:02	250	750	15	852
1980				750	16	958
1981	Bonus	1:03	250	1,000	20	1,863
1982	Bonus	1:04	250	1,250	21	2,385
1983	Bonus	1:05	250	1,500	25	3,451
1984				1,500	27	3,774
1985				1,500	27.5	3,525
1986	Bonus	1:03	500	2,000	33	6,600
1987	Bonus	1:02	1,000	3,000	33	9,900
1988	Bonus	1:03	1,000	4,000	33	13,200
1989	Bonus	1:04	1,000	5,000	33	16,500
1990	Bonus	1:05	1,000	6,000	33	19,800
1991	Bonus	1:04	1,500	7,500	33	24,750
1992	Bonus	1:05	1,500	9,000	33	29,700
1993	Bonus	1:06	1,500	10,500	30	31,500
1994	Bonus	4:21	2,000			
	Rights (at Rs. 160/-)	1:05	2,500	15,000	30	40,500
1995	Bonus	1:05	3,000	18,000	30	54,000
1996	Bonus	1:09	2,000	20,000	30	60,000
1997	Bonus	1:10	2,000	22,000	30	66,000
1998	Bonus	1:11	2,000	24,000		
	Share Trust (at Rs. 210/-)		2,400	26,400	30	79,200
1999	Bonus	1:06	4,400	30,800	30	92,400
2000	Bonus	1:14	2,200	33,000	30	99,000
2001	Rights (at Rs. 10/-)	1:11	3,000	36,000	35	126,000
2002	Rights (at Rs. 15/-)	1:09	4,000	40,000	35	140,000
2003	Rights (at Rs. 20/-)	1:08	5,000	45,000	35	157,500
2004	Rights (at Rs. 20/-)	1:09	5,000	50,000	35	175,000
2005	Rights (at Rs. 20/-)	1:10	5,000	55,000		
	Bonus	4:11	20,000	75,000	35	262,500
2006				75,000	35	262,500
2007				75,000	Rs. 3.50 p.s.	262,500
2008				75,000	Rs. 3.00 p.s.	225,000
2009				75,000	Rs. 3.00 p.s.	225,000
2010				75,000	Rs. 4.00 p.s.	300,000

Stock Exchange

Interim Financial Statements of the 4th Quarter, for the year ended 31st March, 2010 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

Market Value

The market value of Hayleys PLC ordinary shares was:

	2010 Rs.	2009 Rs.	2008 Rs.
Highest	240.00 (on 12th March, 2010)	150.00 (on 28th July, 2008)	156.50 (on 19th April, 2007)
Lowest	86.00 (on 07th April, 2009)	85.00 (on 11th March, 2009)	95.00 (on 23rd January, 2008)
Year end	225.00	90.00	97.75

Dividend Payments

Interim dividend - Rs. 2.00 per share (free of tax) paid on 26th March, 2010 (2008/09 - Rs. 1.50 per share). Proposed final dividend Rs. 2.00 per share to be declared on 29th June, 2010 and payable on 7th July, 2010 (2008/09 - Rs. 1.50 per share).

Share Trading

	2010	2009	2008
No. of transactions	3,601	3,242	1,532
No. of shares traded	5,275,900	18,624,352	3,452,500
Value of shares traded (Rs.)	858,357,100	2,432,610,266	414,535,025

Composition of the 3,832 Shareholders as at 31st March, 2010 (2009 - 3,805)

No. of Shares Held	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,732	592,375	0.79	26	6,924	0.01	2,758	599,299	0.80
1,001 - 10,000	718	2,351,310	3.14	32	182,834	0.24	750	2,534,144	3.38
10,001 - 100,000	239	7,434,372	9.91	28	770,861	1.03	267	8,205,233	10.94
100,001 - 1,000,000	41	12,709,446	16.95	6	1,613,572	2.15	47	14,323,018	19.10
Over 1,000,000	9	47,087,187	62.78	1	2,251,119	3.00	10	49,338,306	65.78
	3,739	70,174,690	93.57	93	4,825,310	6.43	3,832	75,000,000	100.00

Of the issued ordinary share capital, 93.57% is held by residents of Sri Lanka.

Categories of Shareholders	31.03.2010			31.03.2009		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	3,522	46,104,615	61.5	3,496	46,248,076	61.7
Institutions	310	28,895,385	38.5	309	28,751,924	38.3
	3,832	75,000,000	100.0	3,805	75,000,000	100.0

THE IMPLICATIONS OF CLIMATE CHANGE

Climate change impacts the business of Hayleys in a multitude of ways and to different degrees given the Group's highly diversified business portfolio. Thus, the management monitors the effects of climate patterns and factors in the necessary contingency measures to keep businesses operating at optimal levels.

AN ANALYSIS OF THE NEGATIVES AND POSITIVES BY BUSINESS SECTOR

Agriculture

Risks

- Disruption to monsoonal rainfall patterns has financial implications for the Company.
- Disruption to weather patterns can reduce overall cultivation which in turn reduces demand for the Company's agricultural inputs.
- Changes in rainfall pattern in Sri Lanka as well as in other rubber growing countries induces fluctuation in rubber latex pricing.
- Weather influenced changes in customer demand for certain products such as flower seeds lead to loss in revenue.
- Adverse climate conditions as well as crop disease could affect supplies of fruits and vegetables via crop failures thus affecting financial performance of our value added agricultural exports.

Opportunities

- The Company has the opportunity of marketing drought resistant plant material.
- Our flower seed product portfolio diversification allows us to offer a different range of seed and planting material to the local and international market.
- Our Tea Plantations have reduced fossil fuel utilisation by increasing usage of green, renewable energy (e.g. - Dendro) and embarking on its own hydro-electricity generation. This has provided the Company with the opportunity to trade in Carbon Credits.

Transportation & Logistics

Risks

- Unforeseen cessation of airline services due to climatic conditions hold adverse financial implications.
- Adverse climate conditions affect oil exploration and thus indirectly, the Company's enterprise.
- Adverse climate conditions can curtail operations, delay shipping, disrupt inland transportation of goods - in fact this can affect the gamut of Hayleys businesses.

Consumer Products

Opportunities

- Adverse weather conditions and/or the need to conserve energy increases demand for the Company's energy efficient CFL products.

OUR BENEFIT PLAN OBLIGATIONS

Coverage of Defined Benefit Plan Obligations 2009/10 amounted to Rs. 2.2 bn.

Plan details for companies excluding plantations exceed statutory requirements and are as follows:

Length of service (Years)	No. of months salary for each completed year of service
UP TO 20	1/2
20 UP TO 25	3/4
25 UP TO 30	1
30 UP TO 35	1 1/4
OVER 35	1 1/2

Plantations pay retiring gratuities as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978.

FINANCIAL ASSISTANCE FROM THE GOVERNMENT Plantations

Talawakelle Tea Estates received substantial financial aid from the Public Sector for investment in measures to improve worker health, welfare and infrastructure.

The Plantation Development Project under the Ministry of Plantation Industries disbursed Rs. 27.11 mn.

Grants were also received from the State sector to fund road rehabilitation in its entirety.

Transportation & Logistics

Some companies within the Advantis Group were established under BOI regulations and are thus eligible for benefits such as Tax holidays/concessionary tax rates and exemption from import duties on capital goods among others. Some companies enjoy exemptions from exchange controls dependent on their categorisation under BOI regulations.

Agriculture

Our subsidiary HJS Condiments qualified to receive a sum of Rs. 10 mn under the Export Development Reward Scheme (EDRS), which is an initiative of the Government's Department of Commerce to help qualifying exporters tide over the repercussions of the global economic crisis.

Global Markets & Manufacturing

Likewise, Dipped Products PLC was also a recipient of a Rs. 6 mn grant from the EDRS.

MARKET PRESENCE

In assessing the impact of Hayleys' enterprise from a sustainability viewpoint, it is important to examine its interactions within specific markets. The data presented hereunder serves to report on this area.

The entry level wage structures of Hayleys in all but one of its businesses are above stipulated minimum levels. The only exception - our subsidiary HJS Condiments, has its entry level wages on par with BOI stipulated levels.

Our policies and interaction with locally based suppliers is examined by business segment.

Agriculture

We follow a policy of registering local suppliers after evaluation and their performance and standards are evaluated annually thereafter.

The proportion of spending on locally based suppliers at Hayleys Agro stands at 5%.

At Quality Seed Company and Hayleys Agro Farms material are mainly sourced from local suppliers except for certain proprietary seed/planting material.

The proportion of spending or expenditure on imported material stands at 1%.

Currently at Dipped Products, approximately 20% of Field Latex is procured via DSL (DPL Small-holder's Link), which eliminates involvement of middle men.

On all our plantations, labour and resources are entirely locally obtained.

Transportation & Logistics

All the local operations of our subsidiary Hayleys Advantis utilise services offered by local suppliers unless specific requirements are not available locally.

LOCAL HIRING

Another key benefit we bring to the 'market' within which we operate, is employment. Here is a look by business segment, at the composition of our HR base and our stance towards local hiring.

Agriculture

All staff in our subsidiaries is sourced entirely from Sri Lanka.

Within the Seed Paddy Operation, we set up an outgrower system consisting of 204 farmers in the Anuradhapura and Polonnaruwa districts for the 2009 Yala season.

One of our companies, Quality Seed Company located in Boralanda, which has a total workforce of 397, has over 97% of its workforce recruited from the local community or neighbouring villages.

At other subsidiaries Hayleys Agro Technica, Hayleys Agro Fertiliser and HJS Condiments, all junior technical grade personnel are hired from the local communities where they are located, namely Ekala, Sapugaskanda and Biyagama respectively. The percentage of local hiring in each of these companies amounts to almost 90%.

Similarly on our Plantations, staff are 100% locally sourced.

Consumer

At our subsidiary Hayleys Consumer Products Ltd., all distributors and their staff are selected from the local community. Generally the youth from that village are recruited and then trained by Hayleys. In the event vacancies arise at HCPL, preference is given to these persons based upon the experience they possess at time of recruitment.

INDIRECT ECONOMIC IMPACTS

Infrastructure Investments and Services for Public Benefit

The Hayleys Group has invested significant levels of economic resources in diverse projects which are beyond core business operations, and which primarily benefit the public.

Some of the initiatives during the last financial year include the following:

During the year in review, substantial logistical support was provided to develop Sri Lanka's village road networks.

We undertook infrastructure development on our plantations on partial pro-bono basis - 40% of total costs were borne by the Company whilst the balance was funded by the state run Plantation Development Programme, via grants from the Asian Development Bank and Japanese International Cooperation Agency (JICA).

HGRC donated lighting to the National Cancer Hospital.

Haycarb refurbished the OPD buildings of Galmuruwa Hospital in Madampe and Akarama Hospital in Badalgama.

The same company also provided financial assistance towards a water supply programme for Pothuwila Suhada Mawatha, in a locality neighbouring its Madampe factory.

A number of infrastructure projects to build community capacity in rubber farming communities continue under DPL's 'Firstlight' Programme which is discussed elsewhere in this report.

Through our subsidiary Advantis a donation of agricultural equipment was made for use at the camps for Internally Displaced Persons (IDP).

Agro Technica maintains a Bus Shelter in Ekala.

A contribution of US\$ 1,000 was made towards the construction of a new Surgical Intensive Care Unit for the Cancer Hospital, Maharagama.

Advantis companies also process a large amount of project cargo destined for major infrastructure development projects in the country in areas such as water supply, sanitation, power and energy and road development among many more.

Advantis also provided warehousing facilities at concessionary rates for cargo for IDP relief handled by INGOs.

Responsible Caring...

Hayleys has an extensive range of activities in the realm of social responsibility, conducted each year by Company and staff who are ignited by a sense of caring for the well-being of the community.

Corporate Responsibility is often commonly referred to as 'making a contribution to society'. This sounds trite. However, we at Hayleys believe it is fundamental.

Over the years, our businesses have integrated CSR into their everyday operations and way of life.

This article takes a synoptic view of key initiatives for the year under review.

The Hayleys Foundation

The Hayleys Foundation was incorporated over 3 years ago to provide focus and a more structured approach to the valuable contribution Hayleys makes in the domain of CSR.

We have decided to launch the Hayleys Foundation under a new brand name that would be more inspirational and motivating and better convey what we aspire to do.

An in-house competition is underway to canvass employees' suggestions for a brand name, and later a logo.

Education

G.V.S. De Silva Primary School, Kathaluwa was a tsunami-destroyed school when Hayleys stepped in to build a brand new school for its students at a safer location. The school was handed over in May 2006.

Since handing over the school, today, apart from sponsorships of teachers and maintenance workers Hayleys maintains an abiding interest in supporting the academic advancement of its students.



The music room built by Hayleys in use

During the year under review, 19 of the schools 108 pupils passed their Grade 5 Scholarship Examination. Whilst a success rate of 17.5% may not seem much, it superseded last year's rate of 10%. At national level, the highest mark achieved by any student from any school in the island was 200, a student from this school achieved 177.

Hayleys rewards those students scoring a minimum of 170 marks with a cash reward of Rs. 10,000/- per achiever. This year, three students qualified for the award and the Company opened savings accounts in their names. Additionally, the Company purchased all their school book requirements before they moved to Grade 6.

Haycarb offered a grant of Rs. 25,000/- towards the annual symposium of the Engineering Research Unit of the University of Moratuwa. Haycarb also financially assisted the annual sessions of the Institute of Chemistry, with a contribution of Rs. 40,000/-.

Our subsidiary MGT, sponsored the donation of sets of books to libraries of 18 neighbouring schools. Among the schools that benefited were Uduwara KV, New Chathel Tamil Vidyalaya, Taxila MV, Remuna M V, Bellapitiya KV and Thebuwana MV. This project was in collaboration with the Asia Foundation. A pack consisted of 65 books on diverse subjects and on English language.

Ten scholarships were awarded to impoverished students of 10 schools located close to MGT's factory. These students had obtained the highest marks at the Grade 5 Scholarship Examination. Each student receives a monthly stipend from the Company of Rs. 2, 500/-. The total investment for the year amounted to Rs. 1.8 mn and the project will run up to 2013.

MGT has also had an ongoing relationship with the Horana Base Hospital for refurbishment of its facilities and provision of equipment and this relationship has continued unbroken for the past 15 years. For the year under review, a stock of furniture was provided at a total cost of Rs. 80,000/-.



Donation of books to Siripathy Vidyalaya

For the 3rd year in succession an educational programme was conducted for students who sat for the GCE (O/L) Examination in December 2009. The programme dealt with the subjects of Mathematics and Psychology.

Hayleys companies also facilitated educational tours, in-plant training and research opportunities for school and university students at several of our production facilities.

Agro Technica financially assisted 6 talented children of associates by sponsoring dance and speech training for them.

Agro Technica provided education for Aluminium foundrymen on the effects of lead in cast pots and pans.

Ravi Industries rewarded 3 children of employees who had qualified to enter the universities with cash awards and letters of commendation.

400 books which were all voluntary donations by the employees of Advantis companies were presented to Siripathy Vidyalyaya, a needy school in Ambalangoda, Polgasowita. The school located approximately 45 km from Colombo is situated in a rural area where 125-150 students obtain their education supported solely through Public funding and acts of charity.

Social

Kelani Valley Plantations runs the programme 'A Home for Every Plantation Worker' - it provides estate workers with housing, water sanitation... in fact a home.

During the year under review preliminary work has commenced on 30 new housing units on Panawatte Estate which will increase the number of new units, since acquisition of the Company to 1,341. In addition, 105 living units were upgraded; 766 toilets were constructed; 232 houses received electricity; 34.25 kms of road giving access to houses were rehabilitated by resurfacing.

This year too, HGRC sponsored and, helped in organising the sports meet of the Chitra Lane School for the special child for the fifth consecutive year.

Haycarb organised 2 blood donation campaigns at their factories in which 167 donors contributed to the National Blood Bank.

Agro Technica constructed a shrine room at an Elders Home in Ekala.

Hayleys Group Recreation Club (HGRC) organised a blood donation campaign at Hayleys' Head Office at which 100 donors contributed to the National Blood Bank.

In recognition of the contributions made via the annual blood donations held by Hayleys throughout many decades, The National Blood Transfusion Service of Sri Lanka awarded a trophy this year.

Field visit of "Firstlight" Moneragala district rubber farmers to KVPL's - Panawatta Estate - Yatiyantota, for a training on development of a rubber nursery



Health

Haycarb donated 50,000 bottles each containing 50 gms of Activated Carbon to the Health Ministry to be used in the treatment of victims of poisoning.

'Firstlight'... A Brightening Light

Unique in many ways... but rooted firmly in sustainable development. This is the initiative begun several years ago and continued today, by Dipped Products PLC working with over 3,000 smallholder rubber farmers around the country.

'Firstlight' is an initiative to help these farmers realise their full potential, provide them a fair price for the latex they harvest and to educate and empower them with other inputs that will develop their livelihood and living standards.

This is a truly inclusive partnership in which both parties gain the benefits of producing the finest rubber products from ethically sourced latex, which alone opens many world markets to us.

For the year under review, DPL worked assiduously to better the lot of farmers, youth and the community.

Here are some of these initiatives:

Community Capacity Building in Moneragala and Kalutara Districts

We established 'Panthiya' a Pre-school in Matugama in the Kalutara District. We also developed a playground for the school.

The Company also provided a play area for the Wagama Primary School in Bibile.

At the Kekulu and Nakkala Pre-schools, DPL provided furniture, whilst students also received uniforms and school bags.

We also developed a Pre-school at Mailagastenne.

At Wegamana Maha Vidyalaya we set up drinking water facilities, whilst at four other schools in Moneragala, we provided volleyball training camps for their students.

Students of Tenwatte Maha Vidyalaya in Nakkala received 5S Training as did those from Maligatenne Maha Vidyalaya, Badlakumbura and Wegama Maha Vidyalaya, Bibile.

We also conducted HIV/AIDS educational programmes for school children at Tenwatte and Maligatenne Maha Vidyalayas in an extension of the programme DPL has embraced for its workforce.

Farmer Support in Moneragala

During the year under review, DPL carried out the second phase of farmer training on use of fertiliser, replanting and harvesting techniques.

The Company also made arrangements to provide insurance policies to farmers of the area.

The second phase of our programme to assist Plant Nurseries got under way.

DPL distributed latex collecting cups amongst the farmers.

In the spirit of fostering a rounded existence, the Company sponsored sports for the second year in succession within the district.

INDIRECT ECONOMIC IMPACTS

Many of our subsidiaries through their enterprise stimulate indirect economic opportunities across the communities they operate in.

Our Seed Paddy Outgrower System enables farmers to enjoy a 25% price benefit when they sell their seed paddy to the Company.

Using locally manufactured agro-machinery instead of imports yields an annual saving of US\$ 1.5 mn in foreign exchange for the Sri Lankan economy.

Hayleys Agro, in sponsoring Wap Magul ceremonies, helps to motivate farmers to increase agricultural activity, often developing fallow and neglected land, which ultimately supports national agricultural initiatives.

Another subsidiary ATL, in manufacturing agricultural machinery locally, helps to save US\$ 1.5 mn each year in foreign exchange for the Group.

Outsourcing of support services such as house keeping, security and maintenance in the localities provides the benefit of promoting small scale enterprise whilst generating employment. This is in addition to income generation from wages to employees engaged in the core business of the Company.

Dipped Products contributes close upon Rs. 300 mn per annum, to rural economies located in proximity to its 6 factories.

ENVIRONMENTAL PERFORMANCE MATERIALS

The Hayleys Group is engaged in a wide variety of business, and as such consumes an equally wide variety of materials. Tracking material consumption facilitates the monitoring of material efficiency and cost of material flows.

We present data for materials consumed for the year under review, according to business segment.

- Dolomite - 1950 MT
- Glass Bottles - 1.6 mn units
- Poly bags - 1.5 MT
- Cartons - 333 MT
- Brass - 42 Tons
- Stainless Steel 51 Tons
- Rubber - 3.8 Tons
- Paper - 1.65 Tons
- Coir Fibre - 964 m³
- Raw Paddy Husk - 145 m³
- Bought Latex - 617,242 Kg
- Bought Leaf - 5,163,694 Kg
- Gherkins - 11,000 Tons
- Papaya - 146 Tons
- Jalapeno - 27 Tons
- Sugar - 480 Tons
- Vinegar - 490,000 Litres
- Salt - 1,200 Tons
- Glass Jars - 7.6 million
- Polythene Pouches - 1.9 mn/47 Tons
- Natural Latex- 7.1 mn kg
- Synthetic Latex - 1.5 mn kg
- Chemicals - 4.3 mn kg
- Packing Materials - 1.3 mn kg
- Yarn consumed (by cost) - US\$ 23,508,182
- Dyes and Chemicals consumed (by cost) - US\$ 6,287,503
- Packing material - 68,100 units
- Paper - size A4 - 467 reams (Pkts)
- Petrol - 18,522 Litres

The Group also has in place programmes to recycle material.

Data is presented by business segment.

Agriculture

We recycle all Scrap Brass used for Sprayer units.

Forty percent of paddy husk residue is recycled.

Global Markets & Manufacturing (Textiles)

Eighty percent of all Fabric delivering PVC tubing is recycled.

Our subsidiary DPL reuses an estimated 20% of its compounded latex.

Forty percent of coir fibre residue is recycled.

Transportation & Logistics

At our subsidiary Fedex, 77% of all packing material is recycled.

In the Marine & Engineering sector, 39% of the rigging used by our subsidiaries comes from recycled material.

Associated Process Materials	Quantity	Units
Brass scrap	42	Tons
Cartons	70	MT
Cardboard cartons	263	Tons
Chemicals	4,355,768	Kg
Cost of dyes and chemicals	6,287,503	Rs.
Cost of yarn consumed	23,508,182	Rs.
Dolomite	1950	MT
Glass bottles	1.6	Mn
Glass Jars	7.6	Mn
Packing materials	1,294,661	Kg
Paper	1.65	tons
Poly bags	1.5	MT
Rubber	3.8	tons
Stainless steel	51	tons
Pouches	1.9	Mn

ENERGY**Direct Energy Consumption by Primary Energy Source**

Sector Type of Energy	Quantity	Units
Agri Inputs		
Electricity		
Fertilizer:	56,225	kWh
ATL:	223,770.3	kWh
Haychem:	160,000kwh	kWh
Agri Products		
Electricity	973,888.89	kWh
Fuel wood	775	GJ
Furnace oil	14,700	GJ
Textiles		
Electricity	17,643,967	kWh
Hand Protection		
Electricity	11,311,781	KWh
Biomass (Firewood)	33,842,888	Kg
Furnace oil	3,331,204	Lt
Gas	172,989	Kg
Activated Carbon		
Electricity	10,807,518.33	kWh
Electricity produced through waste heat		
Furnace oil	3,202,430	Litres
Diesel	926,111	Litres
Industrial kerosene oil	117,410	Litres
Activated Carbon Consumption	170	MT
Spent Activated Carbon consumption (Recycled Usage)		
	1,342	MT
Fibre		
Electricity	3,236,349	kWh
Firewood	1,300,115	kg
Furnace oil	279,638	Lt
Plantations		
Electricity	11,347,149	kWh
Diesel	44,878	Lt
Firewood	72,256	m3
Transportation & Logistics (Direct land transportation)		
Electricity	1,053,378	kWh
Diesel	158,920	Lt

Indirect Energy Consumption by Primary Source

Agro Technica is the only company to record a significant consumption of indirect energy with 4,810 kWh.

Initiatives to Reduce Indirect Energy Consumption and Returns on Energy Efficiency

Several initiatives were taken during the year under review, by Hayleys companies to effect energy savings and generate energy to meet some of our requirements and reduce dependency on the national resources. These initiatives are presented by business segment.

Agriculture

The use of a fuel wood fired gasification unit at our subsidiary HJS Condiments has helped reduce dependence on fossil fuel by 775 GJ.

Work is proceeding on two hydro power projects, with each expected to generate 1.4 MW of power on our Edinburgh and We Oya Plantations. This investment is geared to provide returns on energy efficiency, which will be recorded by the year 2011.

Hayleys' companies in this sector have equipped all offices in peripheral areas with communication systems that significantly reduces the need for employees from Colombo to visit these locations.

Other measures such as Common Courier Services and a Slip Transfer System to remit monies to Out Growers have also reduced staff travel.

Power conservation during non-working hours at our Haychem facility yielded a saving of 5% on the energy bill.

Transportation & Logistics

The use of energy efficient fluorescent lighting at Hayleys Advantis has yielded a saving of 8% on overall electricity consumption. These and other energy saving measures including reduced usage of air-conditioning and car pooling have also contributed to reducing indirect energy consumed.

Air-conditioning is temperature regulated and time belt controlled.

The Company's warehouse complexes maximise the use of natural lighting and control the ambient temperature within these facilities.

Hayleys Advantis uses web based tele-conferencing facilities that contribute to decreasing frequency of overseas travel.

Global Markets & Manufacturing

The use of translucent roofing material in sections of Hayleys MGT’s factory maximises use of natural lighting.

Hayleys MGT now generates 83% of its total requirement of steam through the use of a fuel wood fired system as opposed to one utilising fossil fuel.

WATER

Hayleys is mindful of the impact that the Group’s water usage could have on the national supply, water tables and the eco-system. There is a concerted effort to use this precious resource responsibly whilst always seeking opportunities to ‘recycle and return’.

Having been a signatory to the UNGC’s (United Nation’s Global Compact) CEO Water Mandate since June 2007, Hayleys has improved the processes it employs to measure water usage and waste water discharge.

This has facilitated the cascading of best practices to all employees across our diverse range of operations and fostered mindfulness of the growing scarcity of this precious resource in our daily lives. It has helped us to continuously search for new ways to reduce usage and to recycle.

Total Water Withdrawal by Source

	2010	2009	2008
Total water withdrawn per day (m ³)	6,031	8,159	8,400

Excludes plantations, fibre and activated carbon

Recycling/Reusing Water

Our subsidiary Agro Technica Ltd. recycles 6% of its water consumption.

The Quality Seed Company Ltd., and Hayleys Agro Farm collect 50.06% of their requirements through rain water harvested from the roofs of their greenhouses. Rain water which falls on these roofs is directed into tanks using pipes. The total volume of rain water harvested was 16,020 m³ during the year under review.

HJS Condiments recycled 49 m³ of water during the year.

BIODIVERSITY

Many of our subsidiaries are located and operate within areas of high biodiversity.

The Business Segment with the largest land holding in this context is Agriculture, more specifically our Plantations Sector.

There was no discharge of water or waste to any water bodies in an area of high bio diversity.

Whilst all our estates practice environmental responsibility in line with the over arching Hayleys Group Environmental Policy, our achievements in the line of protecting and nurturing biodiversity may best be illustrated by the mini-case study presented on the following page.

EMISSIONS, EFFLUENTS AND WASTE

All Hayleys constituent companies comply with the stipulations of the Central Environmental Authority in respect of standards to be met under this subject.

The stringent measures in place at all our locations ensure that we often exceed stipulated standards. With allowances for scale and scope, the overall performance of Sri Lankan industry in this regard would compare very favourably with the more industrialised nations of the world.

Total Water Discharge by Quality and Destination

During the year under review, Hayleys stepped up efforts to enhance its water treatment and disposal processes to reduce even further any impact such environmental activity may have.

Following are the results of our activities during the year, by business segment:

Agriculture

At Haychem the total output of 328 m³ of waste water was initially stored in stainless steel storage tanks. It was then put through a process of purification using activated carbon. Their CCD values were then checked and the water disposed through a zig zag drainage system into the national drainage system.

Hayleys Fertiliser does not use water for its blending plant or for any of its other operations. It is only used for human consumption (bathing). This waste water is sent to the LINDEL waste water pit where it is treated chemically and naturally and then tested before sending into the national drainage system.

Hayleys Agro Fertilizer produces 80 m³, of waste water a year.

The processed waste water of our subsidiary HJS Condiments achieved the following parameters this year - Temperature : < 40°C; Total Suspended Solid: > 500 mg/litre; COD: < 600 mg/litre; Ph Levels: 6 - 8.5; Chloride content: < 900 mg/litre or ppm.

Global Markets and Manufacturing

Our subsidiary DPL releases 1,500 m³ of processed waste water per day into approved waterways. This waste water always conforms to approved environmental standards.

Our subsidiary Hayleys MGT treats and discharges its waste water component in strict compliance with local discharge requirements. For the year in review, 1,221,000 cubic metres of water was discharged in this manner.

Waste Disposal by Type, Weight & Method

Our constituent companies produce a variety of waste material and dispose of them in a responsible manner. These efforts are governed by a common ethos and are rooted in common standards and practice.

Following are the details of waste disposal by business segment:

There were no significant spills recorded.

There have been no instances where Hayleys faced sanctions or fines for non-compliance with any environmental laws or regulations.

Agriculture

During the year, our Fertiliser subsidiary disposed of 50 MT of polythene through recycling and 80 mt of WPP bags through reuse.

Haychem disposed of 10,000 kg of waste material through incineration.

At Quality Seed Co. and Agro Farms, 40 mt of dried plant material was incinerated whilst 7 MT of paddy waste was channelled back to paddy fields as compost.

Tea refuse from plantations under Talawakelle Tea Estates was put back into the field as compost.

At HJS Condiments, waste disposal took place as follows:

Of a total of 127,000 m³, of liquid waste, 30% was recycled (38,100 m³) and the balance (88,900 m³) was treated in an equalisation tank before being disposed of, through the BOI common sewage treatment plant, thus adhering to stipulated standards of liquid waste disposal.

In terms of solid waste (perishable), 630 MT was composted and sent back to the fields.

Twenty metric tonnes of polythene were recycled, whilst 50 MT of cardboard and 8 MT of glass were recycled.

Global Markets & Manufacturing

Waste from DPL comprised - Scrap Product - 650 Kg; Sludge - 400 Kg; Polythene - 32 Kg; Porcelain Debris - 12 Kg and Scrap Iron - 28 Kg.

PRODUCTS AND SERVICES

Hayleys has consistently been pro-active in monitoring its products and services with a view to minimising the adverse impact they could have on the environment. Many companies are ISO 14001:2004 certified and as such control their impact on the environment.

Relevant information is presented by business segment.

Agriculture

Hayleys promotes pest and disease management regimes that significantly lower the use of chemical options.

Hayleys' range of crop protection products is environmentally friendly with low toxicity levels. They are specially formulated to be dust free and can be deployed in much lower dosages than other products in the market.

Soil/media fertility is measured to ascertain optimum levels of fertiliser to be deployed.

Elevated Initiative

Twenty-seven estates spanning 13,000 hectares of land, spread over the three agro-climatic regions of Nuwara Eliya/Dickoya and Yatiyantota/Bulathkohupitiya, under almost equal extents of tea and rubber - this constitutes the Kelani Valley Plantations (KVPL) portfolio.

Of this land extent, over 1,000 hectares comprise natural forest reserve.

The portfolio spans properties situated from low country elevations of 30 m to 460 m to up country high elevations of between 1,200 m and 1,700 m, above mean sea level.

Biodiversity is rich across all elevations, with a high proportion of endemic flora and fauna.

KVPPLC has a range of initiatives in force, to protect the environment.

Good agricultural practices are in place, which often exceed the stipulations of the Tea and Rubber Research Institutes. This has helped the Company gain GLOBAL GAP certification for all its estates.

Employing buffer zones near waterways, avoiding the use of agro chemicals where possible, carrying out bush to bush fertilising systems to avoid washed off fertiliser acting adversely on the eutrophication of catchment areas, terracing, growing cover crops and employing field banks to prevent soil erosion are some of the many initiatives we take.

Another good example is to be found in KVPPLC's Halgolle Estate - established in 1920 by the British as a coffee plantation. Today, Halgolle grows tea and rubber.

Situated in the Yatiyantota area, Halgolle Estate is home to exotic flora and fauna and its topography consists of natural hill crest formations within its 1,196 hectare extent, which have been preserved by the Company in their natural state.

During the year under review, KVPL in collaboration with Deutsche Bank, Sri Lanka planted 7 hectares of bare land in the Wewelthalawa Division of Halgolle Estate with indigenous forest flora.

Apart from the flora and fauna identification project that is conducted throughout all KVPL estates, the Company in collaboration with the International Union for Conservation of Nature (IUCN) has mounted a detailed biodiversity research project to identify and conserve rare and endangered species of flora and fauna.



Global Markets & Manufacturing

The commissioning of a new biomass-fuelled steam generator at Hayleys MGT Knitting Mills will generate savings of Rs. 10 mn per month on furnace oil at current prices and earn Carbon Credits for the Hayleys Group's cotton and synthetic fabric manufacturing business by significantly reducing its emissions into the atmosphere.

Currently the largest wood-fired steam boiler in Sri Lanka, the Rs. 170 mn twin-chamber fluidised bed boiler at this factory generates 20 tons of steam per hour for the plant's dye house, and replaces four of five furnace oil powered steam generating boilers at the complex.

Reverting to renewable energy sources represents a true win-win proposition for Hayleys MGT Knitting Mills. While MGT reduces its carbon footprint and saves money on Furnace Oil they also have generated a new earning opportunity for suppliers of fuel wood in the area. The bio-mass boiler is therefore an important milestone for Hayleys MGT.

Hayleys MGT has commenced cultivation of *Gliricidia sepium* on two acres of land and has set aside another five acres as a pilot project to involve villagers in the vicinity of its factory as out-growers of this fast-growing legume, to supply the new boiler's fuel wood needs. The Company's factory at Narthupana Estate straddles the established fuel wood supply route from Matugama to Ratnapura making purchase of additional needs of wood convenient and cheaper. The ash produced by burning the wood will be used as fertiliser on the *Gliricidia* plantation.

Geo textiles and Bio Fibre Woven Geo textiles are used in soil erosion control applications. Compressed coir fibre encased in coir netting is used in stream bank stabilisation. Coir fibre stitched with polypropylene or jute between netting are used in erosion control applications.

Hayleys has not transported any waste deemed hazardous.

Transportation and Logistics

Hayleys Advantis partners eco-friendly suppliers; we continue to utilise bamboo floored containers in some of our shipping operations

TRANSPORT

Overall

We spend over Rs. 7 mn each year on maintaining services such as waste water purification, daily waste management, and incineration of waste material.

For the year in review, Hayleys Agro has invested a sum of Rs. 350,000/- on testing materials in compliance with State regulations concerning crop protection.

SOCIAL PERFORMANCE

We are aware of the impacts our businesses have on the social systems within which we operate. We have been committed to their development and well-being, and the empowerment and enrichment of the lives of all our stakeholders whilst not compromising good ethics.

In this section we examine this aspect in greater detail. Our reporting is structured around the key segments of Human Rights, Labour Practices, Product Responsibility and Society.

HUMAN RIGHTS

The ten principles promulgated by the United Nations Global Compact (UNGC) concerning human rights, labour, the environment and anti-corruption, have provided the foundation for every facet of Hayleys' business operations.

The Group is a signatory to these principles and it is internally communicated in many ways to ensure that our 30,000 workforce stay reminded of it.

Investment & Procurement Practices

All Hayleys companies are guided by international and local covenants such as the UNGC and Sri Lanka's legal and regulatory regimes in regard to safeguarding of human rights. We cascade this ethos across all supply chains.

Employee Training Hours on Human Rights

The Hayleys Group inculcates issues and components concerning Human Rights within many relevant training programmes offered to all staff. Although, structured training on HR is limited in number of hours, respect for human rights is part of the Company ethos and is well articulated by company heads at their quarterly meetings and briefings. The UNGC principles displayed in factory premises help reinforce recall amongst employees of these precepts.

In this Report, we highlight specific training offered within the business segments.

Recently, the Hayleys Group signed on with the Sri Lankan Business Coalition on HIV/AIDS, which seeks to raise work place awareness on the HIV/AIDS virus as well as to reduce the stigma and discrimination towards those living with the disease. Awareness and training is due to begin soon. Human rights is an aspect of this project.

DPL has been a success story in terms of implementation and culture change effected and Hayleys PLC would be drawing on their expertise and experiences in the coming years.

Global Markets & Manufacturing

During the year, 310 hours of training provided at Hayleys MGT on subjects within the realm of worker rights.

Agriculture

5 Key Plantation Executives at different levels of the Organisation were given 8 hours training on ILO Labour Rights/Human Rights requirements by the EFC.

Rights and Non-Discrimination

Employees across all entities of the Hayleys Group enjoy complete freedom of association.

An extremely healthy and vibrant process of dialogue and engagement amongst all stakeholders in this regard ensures that the rights and voice of the worker are heard at all times.

We have had no reported instances of violations of the rights of indigenous people.

There are twelve companies within the Group which have Collective Bargaining Agreements with four Unions while those employees not covered by the Collective Agreements, engage in active dialogue with the Company with the Unions representing them. While most of the manual workers are represented by Unions, a few who are not, nevertheless engage in vibrant dialogue. The Company is in the process of renewing the Collective Agreement with clerical and supervisory staff which is due to be signed soon.

Hayleys espouses a 'zero tolerance' approach to discrimination in any form. We are an equal rights employer, with a functioning open door policy and conduct all our business dealings with all stakeholder groups sans bias.

During the year in review, we have had no reported instances of violation of this ethic.

No employee of Hayleys is coerced into working more than the number of hours stipulated by law.

In areas of the Group where extended working hours are required by nature of the business, a roster system is followed to ensure an equitable division of working hours for every employee.

As a responsible employer, we find the concept of child labour totally abhorrent. We do not recruit or employ the under-aged and verification of age at time of recruitment ensures strict adherence to this principle.

We abide by the stipulation that no one under the age of 18 would be offered employment at any Hayleys company and we ensure that this age stipulation is practiced by others in the supply chain.

Society

With businesses that are widespread, the impact our activities has on our stakeholder is broad-based and far reaching. We have remained and will remain mindful of the impacts of our interactions with all stakeholder groups.

The Hayleys way has been one of effective partnering for social development rather than mere handouts.

Relationships with Principals

Name of Principal	Duration of Relationship
Bayer CropScience	47 years
Symrise	47 years
Detia Degesch	37 years
Elementis	35 years
Lanxess Deutschland	35 years
Rheinchemie	35 years
Cabot	32 years
Philips Lighting	27 years
Allam Marine (generators)	22 years
Stamford (alternators)	22 years
Monsanto	22 years
Polymer Latex	17 years
Kerr McGee	17 years
Fuji Hunt Photographic Chemicals	17 years
Dow AgroSciences	17 years
Den Hartigh	17 years
Nufarm	17 years
Durst Phototechnik	16 years
Blue Cross Laboratories	14 years
Sigma Pharmaceuticals	14 years
Fuji Film	13 years
Gujarat Reclaim Rubbers	11 years
Akzo Chemicala BV	11 years
Gelita	11 years
Shandong Weicha	11 years
Laboratories Hipra, S.A.	11 years
Namdhari Seeds	08 years
ABB	07 years
Natraj Albums	07 years
Global Hydro Energy	06 years
Bayer Material Science	06 years
Supreme Petro Chemicals	06 years
S.P. Veterinaria, S.A.	06 years
Shimadzu	05 years
Procter & Gamble	05 years
GP Batteries	05 years
Neolait	05 years
Gillette	04 years
FedEx	04 years
ICI Pakistan	01 year
Nawan Laboratories	< 01 year
Pinnacle Technocrafts	< 01 year
Golden Cross Laboratories	< 01 year
Incepta Pharmaceuticals	< 01 year
Beste Pharma	< 01 year

HAYLEYS AGRO... AND THE FARMER IN THE EAST

A HELPING HAND TO RAISE PRODUCTIVITY

Targets - 5000 Tons of Gherkin; 100,000 bushels of seed paddy by 2011

During the year under review, Hayleys Agro launched a programme partnering farmers of the Eastern Province to help them grow gherkins and seed paddy to targeted levels. We understood that, on their own initiative this would have been a tall order.

So, we lent muscle - we signed MOUs and Purchase Agreements with the Akkaraipattu Seed Producers Society and gherkin farmers of the region under the provisos of which the Company would introduce new technology and provide training and best practices to improve production and quality levels.

We also put in place a buy-back arrangement which assures farmers of consistent and equitable prices for their produce. The Company also agreed to contribute to capacity building, provide assistance in the areas of post harvest handling and access to market and set up a seed paddy processing unit in the Eastern Province.

Hayleys Agro plans to work with 2,500 gherkin farmers and 800 paddy farmers in this regard.

From the financial perspective, the Company expects to generate a cumulative farmer income of Rs. 100 mn from gherkins and Rs. 75 mn from seed paddy.

Community

It is a given at Hayleys that we strive to make every impact our businesses make on aspects of community life, a beneficial one. Here are some of them.

Whilst accomplishing our business goals, we ensure the empowerment and development of farmer communities in the process.

The subsidiaries that form the Agri Inputs component conduct regular farmer training programmes and help establish farmer clubs to propagate learning on new technologies/products leading to enhanced productivity of the farmer. Learning on safe handling of pesticides is also provided.

An impact assessment of our seed paddy operation on the community has been completed.

Exit costs for our hybrid flower seed business were also compiled.

Our subsidiary HJS Condiments has contributed to Sri Lanka's agricultural and scientific education at tertiary level by providing internships and research, infrastructure and funding, whilst sharing knowledge, for specific projects.

SUNFROST WINS GLOBAL AWARD FROM USAID

A ground breaking Private-Public Alliance (PPA) between the Hayleys Group and the United States Agency for International Development (USAID) has been chosen from 700 such initiatives from around the world to receive USAID's Global Development Award 2009.

The US Government singled out this partnership to exemplify how US Government foreign assistance can be maximised through greater engagement with the private sector.

This accolade rewards Hayleys spirit of fostering commercial agriculture in the Eastern Province.

The pilot project initiated in 2008 saw Hayleys Agro introducing the cultivation of gherkins, jalapeno peppers, and pineapples to selected locations. The Company also facilitated technological transfers to the farmers and provided a guaranteed price buy-back scheme as well.

At the end of the pilot project, the 160 participating farmers earned an average of Rs. 45,000 per acre as additional net income for the 2 month crop cycle, which was a substantial supplement to subsistence farming.

The success of the pilot project has led to a new alliance between Hayleys and USAID. Under the Sustainable Agriculture through Commercialisation (SAC) Project, 3,600 conflict affected farmers from different areas of the Eastern Province will be linked to a commercially viable, sustainable agricultural programme that ensures substantial increases in farmer income.

Through this new project, Hayleys expects to purchase farmer produce valued at Rs. 575 mn thus ensuring an increase of almost 50% in net income per farmer by the year 2012.

Hayleys PLC, Hayleys Agro Farms (Pvt) Ltd. and Sunfrost Ltd. collectively will invest Rs. 323 mn whilst USAID will provide a grant of Rs. 113 mn to get the project underway.

SUNFROST... GHERKING

Sunfrost Ltd., a Hayleys PLC subsidiary is Sri Lanka's sole exporter of gherkins. Its product is a preferred choice of top franchises such as McDonalds, Burger King and consumer brands such as Heinz.

Sunfrost supplies 50% of the Japanese pickled gherkin market.

Currently Sunfrost works with over 6,000 out grower gherkin farmers in Sri Lanka.

Corruption

This is another area where a zero tolerance ethic prevails at Hayleys.

We have always pursued profit generating business within a strict framework of integrity and ethics. This is the reason why Hayleys has never and will never resort to any practice such as the giving of baksheesh or 'greasing palms'.

Across all our companies, a code of conduct prevails within which the Group's basic values of anti-corruption are embedded.

Many of our subsidiaries have extended this core value by incorporating it in their own guides, handbooks and codes.

Public Policy

Hayleys PLC plays an active and participatory role in the public policy development domain. Ours is also a clear voice when lobbying issues of relevance.

Total value of financial and in-kind contributions to political parties, politicians, and related institutions

Hayleys has always held a policy of not making financial or in-kind contributions to political parties, politicians and related institutions.

Monetary value of significant fines and total number of non-monetary sanctions for non compliance with laws and regulations

There have been no instance of fines or sanctions with regard to non-compliance with laws & regulations.

A STRONG VOICE

- Presidency, Agricultural Machinery Manufacturer's Association
- Presidency, Sri Lanka Air Line Cargo Association
- Chairmanship, Subcommittee on Documentation and Information Technology, Ceylon Association of Ships Agents
- Vice Presidency, Exporters Association of Sri Lanka
- Vice Presidency, Chartered Institute of Logistics and Transport
- Directorship, Plantation Human Development Trust
- Directorship, Sri Lanka Port Management and Consultancy Services Ltd
- Directorship, Coconut Development Authority
- Directorship, Sri Lanka Institute of Nanotechnology (SLINTEC)
- Management Committee Membership, Sri Lanka Shippers' Council
- Executive Committee Membership, Ceylon Association of Ships Agents
- Executive Committee Membership, Sri Lanka Freight Forwarders Association
- Advisory Council Membership, Ceylon Association of Ships Agents
- Committee Membership, Sri Lanka Association for Manufacturers & Exporters of Rubber Products
- Committee Membership, Human Resources & Education Sub-committee of the Ceylon Chamber of Commerce
- Committee Membership, Sri Lanka-New Zealand Business Council of the Ceylon Chamber of Commerce
- Executive Membership, National Agribusiness Council
- Committee Membership, Industrial Association of Sri Lanka of the Ceylon Chamber of Commerce
- Membership, Board of Management of Industrial Technology Institute
- Membership, Agriculture Cluster of the National Council for Economic Development
- Membership, Presidential Committee on Maritime Matters
- Membership, Chartered Ship Brokers Association
- Membership, CSR Committee of the Ceylon Chamber of Commerce

PRODUCT RESPONSIBILITY

While some of Hayleys' key products are manufactured to safeguard the health and safety of people across the globe such as those in our range of hand protection and activated carbon which purifies our water, our other products and services are crafted whilst keeping in mind the health and safety of customers, fulfilling their rights in terms of product information and labelling and quality assurance.

Our pursuit of responsibility begins with responsible strategy, building in safety, quality, social and environmental consciousness and ethics whilst ensuring the protection of human rights across all processes - from manufacturing through marketing, to consumption and more.

Here are some of the key initiatives of the year by business segment.

Customer Health and Safety

Agriculture

Hayleys Agro markets a range of crop protection products which are environmentally friendly, of low toxicity and are extremely safe to use. Safe packing methodology is also used.

Agro Technica Ltd. conducts random assessments on how the weight factor of its sprayers impact users. Similar random assessments of sprayer nozzles are carried out as well.

Our Talawakelle Plantations estates have had their produce classified as a food by the WIFO. Also HACCP and ISO accreditations are being sought for 8 estates. These developments assure that their products conform to the highest standards, assuring customer health and safety.

Similarly our Kelani Valley Plantations company is HACCP and ISO 22000:2005 certified. Adherence to the Food Safety Management System ensures product safety and quality in terms of the consumer.

HJS Condiments is also an ISO 22000:2005 accredited company.

Transportation and Logistics

Hayleys Advantis is pursuing Health and Safety certification for its operations. It is modelling its developing health and safety regime along the lines of the Occupational Health & Safety Advisory Services (OHSAS) system.

Logiwiz Ltd. a constituent of the Advantis family was certified with OHSAS 18001:2007.

Life cycle stages in which health and safety impacts of products and services are assessed for improvement

Some companies assess each requirement when undertaking orders, while others are guided by certified procedures.

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services

We have had no fines levied against us for non-compliance with laws and regulations concerning the provision and use of products and services.

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

There has been no complaint of breach of customer privacy and data loss.

AN ACCOUNT OF THE HAYLEYS' RELIEF EFFORT FOR IDP'S

Life after Strife... it MUST get Better!

War in Sri Lanka exacted a terrible toll on people from all walks of life. One year on, relief and rebuilding work is going on apace - yet there are people displaced from their homes... trying to rebuild shattered lives and livelihoods...many of them with nowhere to call home.

The more fortunate call them IDPs - Internally Displaced Persons.

The problem touched the Hayleys psyche the minute it began taking shape in March 2009.

Here's an account of what we have accomplished in bringing solace to the people who have been affected.

Volunteering employees who gave up their weekends to make at least a trip a month to the Manik Farm IDP Camp area during April-December 2009 displayed a passion that remained undiminished, by perhaps the longest stretches of travel that they may have ever undertaken in Sri Lanka, and on road conditions that were much to be desired at the time.

This is true heartspeak... these are images and impressions that reside within the 'corporate psyche' of the entire Hayleys Group. They will remain there until we make a prosperous future for the people of these areas.

Under Phase 1 of our work, back in 2009, among our contributions was to design, build and donate a mobile water treatment plant for the Menik Farm. This was a skid mounted unit which was recently re-located and installed in Muthiyankattuwa in the Mankulam area, where most of the displaced families have been resettled. This Mobile Water Treatment System is capable of treating 50,000 litres of water per day and is used to purify to safe drinking standards, the water supplied by the Water Supply & Drainage Board from the Malwathu Oya.

Funds for the construction of the treatment plant were provided by the Hayleys Group and One Sri Lanka Foundation, an organisation committed to developing and implementing humanitarian projects focused on strengthening community values and rehabilitating families and victims of the war.

Another area in which we used our inherent skills and business expertise to help out was when we supplied seed and planting materials free of charge to IDP Camps - Farmers have an opportunity to cultivate vegetables and

reap the harvest for their day-to-day purposes. Excess could be sold to supplement their income

Under Phase 2, Hayleys set up a Relief Fund for the displaced, which accommodated voluntary employee donations of a days wage each, which was matched by their respective employer companies. The Fund stands at Rs. 4 mn today.

In line with Hayleys CSR inclination to support education, and just as we did in the aftermath of the tsunami of 2004, (see page 47 on details for Kathalawa School) we decided to utilise these funds to develop educational facilities in these impoverished areas, which will help the younger generation get back on their feet.

The Hayleys team decided to establish 2 computer labs in two schools in the Kilinochchi District. The close rapport our volunteers built up with military and administrative authorities during the period of interim relief to camps in 2009 helped in identifying needs and locations for an education project.

The Poonakari Maha Vidyalaya in Pooneryn: used to have a student population of 700 in 2005. After it reopened in January 2010, barely 200 arrived for classes. Given the location of this school, Hayleys is confident that once established, the computer lab will prove a boon to neighbouring schools in time to come thus widening its reach.

Yogapuram Central: is in the Thirukkai area and is in much better shape than Poonakari since relief efforts have reached the area and displaced persons were settled in this area well before Pooneryn.



Product and Service Labelling

Group companies abide by requirements to convey as much product information as possible through product labelling.

Here is a look at this aspect across business segments.

Agriculture

Hayleys Agro Products displays poison warnings on pesticides, safe storage instructions on pesticides and fertilizer, safe application procedures on veterinary products and pesticides, information on antidotes in case of contamination/consumption and poison centre contact details amongst other information. The Company complies with the regulations of the FAO Code of Conduct, and those of the Department of Agriculture, the Registrar of Pesticides and other relevant Local Authorities.

The labelling on TTE's products carry the ISO Standards for Tea accreditation, the Lion logo which indicates that the pack contains pure Ceylon tea and voluntary HACCP, ISO 22000 and TASL-SGS certification.

The labelling on HJS Condiment's products carry information including the Net Content, Lot Identification, Production and Storage Information, 'Best Before' date and Shelf Life information.

Transportation and Logistics

Hayleys Advantis complies with stipulated requirements by showing customers' and users' rights/obligations in transportation documents such as Bills of Lading, Waybills (Air and Sea), Goods Received Notes and Combined Transportation documents as governed by relevant conventions.

Customer Satisfaction:

Keeping a finger on the pulse in terms of customer satisfaction is central to Hayleys' enterprise. The information below is by business segment.

Hayleys Agro and Agro Technica both source customer feedback. Agro conducts periodic customer satisfaction surveys. Agro Technica has completed a survey on its sprayers during the year in review, receiving a 99% customer satisfaction rating.

Constituent companies of Hayleys Advantis have comprehensive customer satisfaction surveys in place. Average satisfaction rating for all companies stood at 86.5% for 2009/10.

During customer surveys in the course of the year under review, DPL rated 73%.

Marketing Communication

Hayleys is well aware of the power of Marketing Communications to influence opinions and purchasing decisions.

Our core values underpin adherence to ethical advertising and communication practice.

In addition, many of our constituents follow requirements on marketing communication and best practices cascaded from their principals.

LABOUR PRACTICES AND DECENT WORK

Hayleys PLC is an equal opportunity employer, respecting the individual and his/her rights to free and fair employment with opportunity to build a career of lucrative longevity.

Our remuneration and benefits are fair and competitive. Wages are above stipulated minimum levels.

The Group also ensures the employee's right to freedom of association and maintains a transparent and open door culture.

Our infrastructure, plant and equipment are set within an environment that promotes and protects the health and safety of all workers.

GROUP HR INITIATIVES IN SERVICE TO OUR EMPLOYEES

During the year under review, Hayleys' Group HR division introduced several measures to help serve our employees better.

These initiatives help to enhance human relations by fostering supportiveness, career advancement, transparency and fairness whilst making the Hayleys Group of Companies a great place to work.

TALENT MANAGEMENT AND SUCCESSION PLANNING

This programme commenced in November 2008.

As an outcome, individual development initiatives were identified for all 226 members of our Talent Pool, which have been directed to the Group Management Committee for ratification and implementation via individual HR Managers and Group HR.

PERFORMANCE MANAGEMENT SYSTEM AND HRIS GO ON-LINE

We have implemented these systems and to date 95% of Group companies can access them on-line. The balance companies are expected to follow during the ensuing financial year.

THE HAY METHOD

Job evaluation can be a judgmental process. HAY Job Evaluation Methodology, officially known as the Hay Guide Chart-Profile Method of Job Evaluation, is used to minimise subjectivity and make the procedure as objective as possible.

The Hay guide charts have been in existence since 1951 and have been used in over 5,000 different organisations worldwide including Fortune 500 companies.

JOB BANDING

The process of Job Banding was introduced to scientifically evaluate and compare jobs to ascertain levels and ranking that are fair and equitable. The process will then aid pay and grading differentials.

It allows the Group to establish job groupings, or job bands, that aid career mapping, talent development and management of remuneration among other benefits, whilst affording employees with greater degrees of transparency, an unbiased focus on job exigencies over personal considerations, better understanding of the organisational 'fit' and one's career path and a better understanding of the rationale for differences in pay and benefit levels.

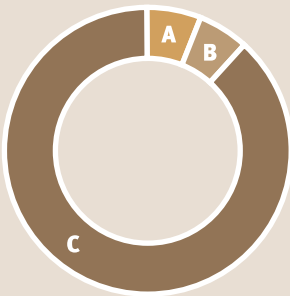
The process yields well founded job descriptions for all employees, a well structured and adaptable organisational structure and a transparent and equitable system to deliver remuneration and staff grading.

Employment

Total Workforce by Employment Type/Contract

The data appearing in tabulated form below is self-explanatory.

TOTAL WORKFORCE BY EMPLOYMENT TYPE/CONTRACT
%



- A Executive 6%
- B Clerical, Supervisory, Drivers, Office Aides 6%
- C Manual 88%

Contract vs Permanent

Contract employees (recorded)	955
Permanent (recorded)	29,280

Number/Rate of Employee Turnover – by Age/Gender

In general, staff turnover within the Hayleys Group is low, which bears testimony to our standing as an employer of choice.

Agriculture

Staff turnover at Hayleys Agro for the year in review was on average, 0.02.

Staff turnover at Quality Seeds and Agro Farms was 1.7% (3 of 177 employees).

Staff Turnover at HJS Condiments for the year in review stood at 23.

HJS Condiments

Age Analysis of Employees who left in 2009	%
21-30	83
31-40	17

HJS Condiments

Employee Turnover by Gender	No.
Male	9
Female	14

MGT

Employee Turnover by Age Group	AVG T O %
18-25 yrs	23
26-30 yrs	87
31-35 yrs	27
36-40 yrs	27
41-45 yrs	13
46-50 yrs	-
51-55 yrs	45
56-60 yrs	-

Employee Turnover by Gender	No.
Male	9
Female	1

Advantis

Age Group	Number of Leavers		Number of Employees		AVG T O %
	2009 (Executive)	2009 (Non-Executive)	2009 (Exec.)	2009 (Non-Executive)	
< 20	0	0	7	1	0
20 - 24	14	35	97	108	24.81
25 - 29	14	23	98	105	18.93
30 - 34	7	8	101	44	9.97
35 - 39	5	6	101	36	8.27
40 - 44	9	1	31	18	21.74
45 - 49	4	2	32	14	14.29
50 - 54	2	1	6	11	20
55 >	1	3	3	5	53.33

DPL

Current Executive Employees by Age	No.
24-30	38
31-40	67
41-50	44
51-55	16
55-60	10
	175

DPL Thailand

Employee Turnover by Gender	
Male	125
Female	246
Turnover%	0.661

DPL Thailand

Employee Turnover by Age Group	%
18-20	6
21-30	42
31-40	36
41-50	14
51-55	1
56 and above	1
	100

Benefits Exclusively to Full Time Employees

Full time employees are entitled to reimbursement of medical expenses and reimbursement of professional expenses.

Through the Group's Recreation Club: Funeral Fund, wedding

gifts, new baby gifts and prizes for employees. Some companies also provide gifts for employees' children who obtain 8 distinctions at O'Levels, children who gain admission to Sri Lankan Universities and long service awards for employees with service over 15 years and 25 years.

Manpower Strength	As at 31.03.2010
Directors Executives & Confidential Secretaries	1,721
Clerical, Supervisory & Minor Staff	2,245
Manual Grades	26,211
	30,177

Professional/Academic Qualifications of Executives	No.
Agriculture	209
Engineering	81
Accountancy	88
Marketing	69
Business Management	53
Information Technology	48
Law	6
Shipping	36
Degree - Science	127
Degree - Humanities	3
Master's in Business Administration	60
Others	139
Total	919

MIT ... POLE POSITION ON THE 'GO GREEN' INITIATIVE

MIT Cargo together with the Central Environment Authority (CEA) recently conducted a seminar for Hayleys Group employees. As a pioneering element of the 'Go Green' initiative, this event aimed to stimulate other Group companies to follow suit in adopting green environmental practices and to gain vital awareness of the threats to the environment.

MIT Cargo's 'Go Green' programme comprises four main initiatives, i.e. 'Recycling of polythene,' 'Food waste,' 'Paper collection' and 'Drive Green'. The Company also plans to introduce several more elements to the programme in the future.

Under its 'Recycling of Polythene' project, MIT Cargo hands over all polythene waste to the KIOSK operated by the Colombo Municipal Council for recycling purposes. The Company delivers polythene waste to this centre three times a week.

Our 'Food Waste' project channels this material to a contractor who processes this into animal feed and used thus on a daily basis. Food separation for recycling happens at the lunch room through the efforts of staff.

MIT Cargo is currently planning to introduce the same practices to other Hayleys Group premises at Foster Lane and Union Place as well.

Collecting of all paper waste in the Company premises under the 'Paper collection' initiative has been already extended to other Hayleys Group companies with all paper being sent for recycling.

Under the 'Drive Green' programme that was conducted in March this year, together with Clean Co Lanka (Pvt) Ltd., all company vehicles have been tested for emissions and issued with certificates of compliance.

Minimizing polythene usage in the office premises, saving electricity by switching off lights when leaving the work place, conducting awareness programmes on garbage separation at the Mahabodhi School and the distribution of plants and seeds, display of awareness posters and banners in key locations, stickers advocating minimal power consumption on personal computer monitors and the distribution of printed materials on Eco- Friendly practices among schools, are some of the other eco-friendly initiatives undertaken by the Company.

It seems that a few individuals, taking simple steps can make a difference.



Labour/Management Relations
Percentage of Employees covered by Collective Bargaining Agreements

We present the relevant data by business segment.

Agriculture

At Hayleys Agro, 80% of office employees have such cover.

At Quality Seeds and Agro Farms, 2% of all employees have such cover.

At Talawakelle Tea Estates, 100% of the workforce has such cover.

At Kelani Valley Plantations, 99% of all employees have such cover.

Global Markets & Manufacturing

At Hayleys MGT, though no collective agreement is in force, collective bargaining is encouraged and takes place.

**HAYLEYS BUSINESS SCHOOL...
 A VALUE CENTRE**

In the past Hayleys Business School (HBS) was a renowned centre of learning not only for the Group but for many non-Hayleys companies as well.

Thus from April, 2009, HBS has discontinued its outside training regime and instead, realigned its role to one of support for the Learning and Organisational development needs of the Group. Based on a lean management model HBS, which continues as a brand in its own right, will now function as an extension of Group HR.

Over the next two years, HBS will focus on Competitiveness Improvement, Capacity Building and Organisational Development.

Apart from its wide curriculum of core subjects, HBS also imparts consultancies on the Kaizen and 5S methodologies.

Hayleys follows well planned strategies that allow for adequate time in regard to implementing operational change. Often, such periods of notice are incorporated within worker's agreements.

Hayleys Agro stipulates 10 working days for such change and this is incorporated within workers' collective agreements.

Kelani Valley Plantations have included such periods of notice within collective agreements for non-executive staff.

DPL provides 3 months minimum notice.

Occupational Health and Safety

Constituent companies of the Hayleys Group pay strict attention to regulatory stipulations concerning this subject, and ensure that health and safety issues are minimised and stringent standards maintained, often by seeking certification such as ISO, HACCP, and OHSAS.

Some have voluntarily signed onto programmes such as the Rain Forest Alliance Certification by Kelani Valley Plantations, whilst others have formed health and safety departments or committees.

Hayleys has a good record in terms of maintaining staff health and well being. Thus, in terms of man hours/days lost and absenteeism due to work related factors, incidences have been negligible.

At Hayleys Advantis, during the year in review, one injury was reported with 5 man days lost.

At DPL, approximately 100 days were lost due to accidents and injuries in its operations in Sri Lanka and Thailand.

Hayleys MGT - 10.24% (No. of Injuries X 100)/No. of employees

Keeping the Hayleys family healthy and aware of possible danger from serious disease is an important Group objective. Here are some of the initiatives we undertook last year, across the business segments.

THE HAYLEYS GROUP RECREATION CLUB (HGRC)

This is a pivotal body for employees where recreation, welfare, social services and many other aspects of work life meet.

During the year in review, the HGRC organised many programmes for the benefit of our employees.

Captured in brief, some of the main employee oriented activities were - the Annual New Year Pola in April at the Head Office, a 'Kadala Dansala' again at our Head Office during the Vesak season 2009, a Quiz Night, the annual All-Night Pirith Ceremony and multi religious ceremonies to invoke blessings on the Company, 'Re-bounce 2009' the annual get-together of the Group, Children's Christmas party, Christmas Carol event, Children's Singing competition, Karaoke competition and a full calendar of sporting events.

The HGRC is an informal but vital channel for staff motivation which it fosters through an intensive calendar of activity each year.



Agriculture

At Hayleys Agro, programmes on Dengue prevention are ongoing.

In compliance with ISO requirements, Hayleys Agro Fertilizer conducts a programme on Dengue prevention every quarter.

At HJS Condiments, training programmes were carried out during the year on reproductive health issues - STI/HIV/AIDS, and awareness was raised on Dengue prevention among other issues using banner displays.

Transportation and Logistics

As an annual occurrence, Hayleys Advantis conducts fire drills and instructional programmes on safe driving. Dengue awareness programmes are also conducted.

Although health and safety issues do not figure in formal agreements with worker representative bodies, they are part and parcel of the regulatory framework within which all Hayleys companies operate.

Training and Education

Training is intrinsic to the Hayleys Group. It is the bedrock upon which all skills and capacities are developed and enhanced, which in turn fuels strategy and process.

We present relevant data on this subject by business segment.

Agriculture

KVP PLC Training

Following training programmes have been carried out:

- For Operational workers - Agricultural Operations - Plucking, Tapping and Spraying (Covering the GLOBAL G.A.P. and FSC requirements)
- Food Safety Management System(FSMS) - Good Manufacturing Practices, Hygienic Practices, Safety Issues .etc. (covering the ISO 22000:2005 and HACCP)
- Red Cross - Safety Issues
- For Staff - FSMS, GLOBAL G.A.P., Rain Forest Alliance, FSC, Accounting packages, Computer awareness, Secondary Language Programmes
- For Executives - NIPM Diploma and Certification Programmes
 - FSMS, GLOBAL GAP, Rain Forest Alliance, FSC & Computer Awareness

Training and Education

Hayleys Agro

Executives	30 - 40 hours
Clerical/Supervisory/Sales Representative	40 - 50 hours
Manual	10 - 20 hours

HJS Condiments

Executive Staff (Formal training)	25.0 hrs
Supervisory & Clerical Staff (Formal training)	25.0 hrs
Industrial Staff (Formal training)	25.0 hrs

In addition to the above 16 hours of training was recorded for Hayleys Agro Fertilizer field officers during the period under review.

Transportation and Logistics

At Hayleys Advantis during the year, a total of 222.02 training hours for Executives and 90.3 training hours for non-executive grades were recorded.

Global Markets and Manufacturing

At Hayleys MGT, a total of 11 hours of training were recorded for Executives, 5 for clerical and 3 for manual grades.

Delivering Skills Management/Lifelong Learning

Most Hayleys subsidiary companies provide training opportunities that initially impart the skills necessary for employees to fulfil short-term objectives and thereafter prepare them for career advancement until retirement.

These training opportunities are provided locally and, where relevant, at overseas locations. Training is drawn from internal as well as external sources, dependant on need and in-house resource capabilities.

Data on Employees Performance and Career Development Reviews

100% All employees of the Hayleys Group receive performance and career development reviews, which are accompanied by training opportunities to re-skill or hone existing skills to desired levels.

Diversity and Equal Opportunity

The diversity within an organisation provides insight into the human capital of the organisation. The composition of its management team and workforce team using tested parameters also highlight the aspect of equal opportunity.

HR SHORT TAKES

Here are some HR snippets from around the Group, for the year under review.

HAYCARB

- Signed Collective Agreement for Madampe and Badalgama Factories with Ceylon Mercantile Union for a period of 2 years from 1 January 2010.
- Nine Worker Improvement Team (WIT) meetings held. WIT consists of 2 worker representatives from each operating section and the management team of the factory. This is a top-down, bottom-up process of engagement that helps to address worker issues and Company issues in tandem.
- Public lectures at Madampe were on the topics - Productivity, Ethics for Personal Development, Civil Laws and Society and Role of Citizens in Environmental Protection.

ADVANTIS

- Non-recurring Cost of Living payment scheme replaced by performance based increment scheme. The new system will attract EPF, ETF, Overtime and Gratuity which the former scheme did not.
- Restructuring process highlights focus on four main sectors - International Freight Management, Marine Services/Terminal & Engineering, Integrated Logistics and Support Services.
- In line with the move to integrate and align administrative functions with Hayleys Group, the HR administration of Advantis was transferred to Group HR of Hayleys PLC.

BECOMING AN ANTHEM... THAT ONE COMPANY

In the far flung business that is Hayleys, it is often difficult to 'pull all the strands together'... have everyone 'walking to the same beat'.

Plans and blueprints... seminars and get-togethers all have their place and value.

But throughout history the power of a tune... some lyrics and a rhythmic pattern has been unparalleled and has touched people across all divides in united appreciation.

In dwelling upon the 'one Hayleys' concept the Group's Corporate Communications Unit approached well known Sri Lankan music personalities to put together a corporate anthem for Hayleys.

The anthem that has emerged includes trilingual content to reach all, with lyrics that touch the Hayleys psyche and a tune and rhythm that is infectious. It is meant to inspire and lift morale and motivation to feel good about self, work and Hayleys.



Quality Seed Co. Ltd. & Agro Farms

	Male	Female
Executive	13	03
Clerical/Supervisory	7	12
Manual (Permanent)	11	126
Other Technical Contract	14	186

Kelani Valley Plantations

Gender	Staff	Workers
Male	583	6,345
Female	180	7,155
Total	763	13,500

Age Group	Staff & Workers
<30	3,147
30-50	8,456
>50	2,648
Total	14,251

HJS Condiments

Gender	%
Male	63
Female	37

Race	%
Sinhalese	98.50
Muslims	1.50

Age Group	%
< 20	3
21 - 30	65
31 - 40	18
41 - 50	11
50 >	3

MGT

Employment Type	No.
Executive Grade	174
Clerical, Supervisory & Allied Grade	212
Manual Grade	435

TTEL

Employment Type	No.
CEO	11
Executives	10
Plantation Managers	17
Deputy Assistant Managers	29
Secretaries	2
Staff	491
Minor Staff	5
Labour	10,584

Hayleys Advantis**Total Workforce by Employment Type**

Employment Type	No.
Executive	544
Non Executive	274
Drivers	54
Office Aides	63
Group	935

Total Workforce by Employment Contract

Contract	151
Permanent	784

Fibre

Employment Type	No.
Executive	155
Clerical & Supervisory	71
Manual	374
Total	600

Hayleys PLC

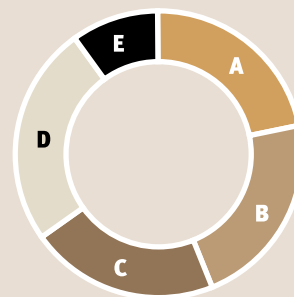
Employment Type	No.
Executive Grades	
Permanent Employees	94
Contract Employees	9
Total	103

Non-Executive Grades

Permanent Employees	41
Contract Employees	2
Total	43

AGE ANALYSIS OF EXECUTIVES

%



A <30	22%
B 30-35	22%
C 36-40	21%
D 41-50	25%
E >50	10%

DPL Thailand

Ethnicity of Total Workforce		%
Thai	339	91
Myanmar	26	7
Sri Lankan	5	1
Indian	1	1
Total	371	100

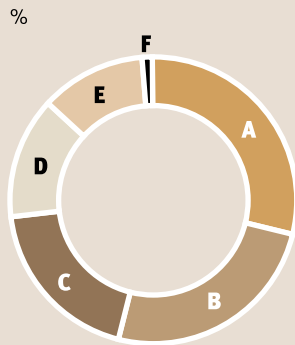
Ratio of Basic Salary - Men to Women

There is complete parity in terms of salary across all positions in the Group, sans any gender bias.

Name	Staff Assistant		Executives		Assistant Manager		Manager		General Management	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Basic Salary Ratio	44 : 56		53 : 47		48 : 52		47 : 53		57 : 43	

The disparity shown here is not based on gender difference but is due to other factors such as differences in service periods, levels of responsibility and/or qualifications.

SERVICE ANALYSIS OF EXECUTIVES



A	<5	29%
B	5-10	25%
C	11-15	19%
D	16-20	14%
E	21-30	12%
F	>30	1%

GRI COMPLIANCE INDEX

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
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		2002 C	C+	B	B+	A	A+
Mandatory	Self Declared						
	Third Party Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked						

UNGC PRINCIPLES - GRI INDICATORS CROSS REFERENCE

Issue Areas	GC Principles	Relevant GRI Indicators
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	LA 4, LA 9, LA 13, HR 4, HR 5, HR 6, SO 5
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses	HR 4, HR 5, HR 6, SO 5
Labour	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA 4, LA 5, HR 5, HR 6, SO 5
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor	SO 5, HR 7
	Principle 5 Businesses should uphold the effective abolition of child labour	HR 6, SO 5
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA 2, LA 13, LA 14, HR 4, SO 5, EC 5, EC 7
	Principle 7 Businesses should support a precautionary approach to environmental challenges	EN 9, EN 14, EN 26, SO 5
Environment	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility	EN 1, EN 2, EN 3, EN 4, EN 5, EN 6, EN 8, EN 10, EN 11, EN 12, EN 13, EN 14, EN 15, EN 16
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies	EN 5, EN 6, EN 10, EN 26, SO 5
	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	SO 4, SO 5, SO 9