



A World of Value

Hayleys PLC | Annual Report 2023/24





A World of Value

Hayleys PLC has long cultivated a powerful reputation as an indomitable entity – one which exhibits unwavering resilience and strength even in the midst of considerable adversity.

Ours is a vast network of partnerships that spans the world – preserving, generating, and distributing value in every climate.

Strengthened by deep roots and robust structures, our sole purpose lies in safeguarding and sustaining our surroundings, while consistently generating economic growth and prosperity across an ever-shifting landscape.

Since inception, our dedication towards sharing and distributing resources across our vast network has remained the wellspring of our collective success. The pages that follow provide a detailed account of how in doing so, we have impacted countless sectors, individuals and entities – spurred onwards by our continuous quest to foster a sustainable future for the ever-expanding world of Hayleys.

The World of Hayleys. A World of Value.

Across every territory in which they are present, forests represent a unique world that's teeming with life. Individual trees unite to create a shared network that burgeons into a vast canopy designed to protect and sustain countless lives, while generating a positive impact on its surroundings. Forests support an ongoing journey of natural expansion, growth, and development, with the inherent ability to create a world of value in more ways than one.



5%

Contribution to Sri Lanka's exports

Rs. 150 bn

Economic value generated

36,266

Total employment

>23,000

Indirect employment
across value chains



Rs. 46 bn

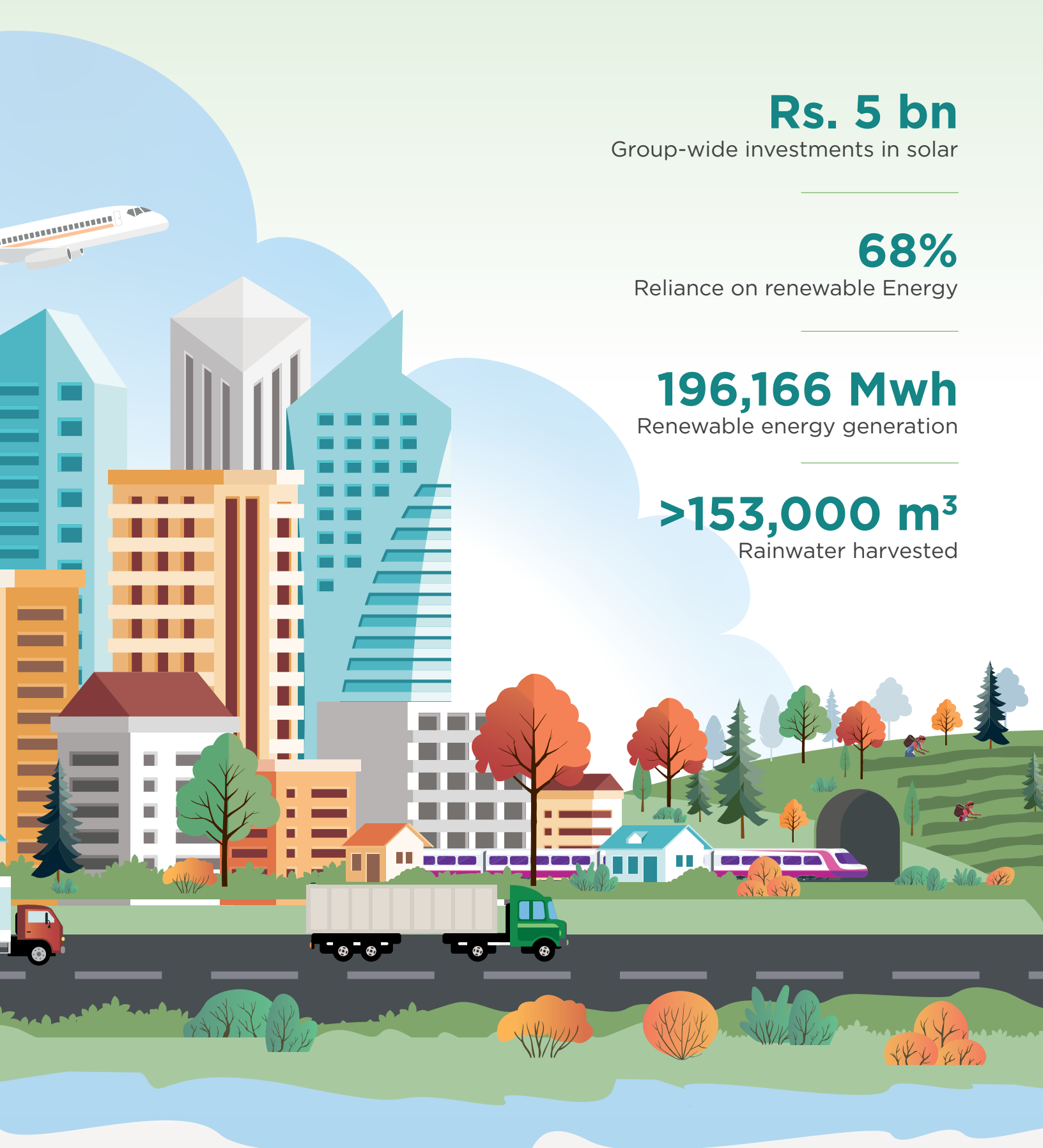
Direct and indirect
taxes paid

Rs. 53 bn

Payments to
employees

USD 685 mn

Foreign currency brought
into the country



Rs. 5 bn

Group-wide investments in solar

68%

Reliance on renewable Energy

196,166 Mwh

Renewable energy generation

>153,000 m³

Rainwater harvested

Rs. 325 bn

Payments to
suppliers

Rs. 35 bn

Capital provider
payments

Rs. 408 mn

Investment
in CSR

Table of Contents

THE WORLD OF HAYLEYS

- 8 Our Integrated Annual Report
- 11 Our Approach to Reporting
- 13 Adoption of SLFRS S1 and S2 Sustainability Disclosure Standards
- 14 Portfolio Highlights
- 16 Performance Highlights
- 20 Advancing Value
- 23 Year at a Glance
- 24 A Global Footprint
- 26 Past, Present and Future
- 28 Awards and Recognition
- 30 World of Hayleys

PURPOSEFUL AND RESPONSIVE LEADERSHIP

- 32 Reflections from the Chairman & Chief Executive
- 42 Board of Directors
- 48 Group Management Committee
- 52 Corporate Governance

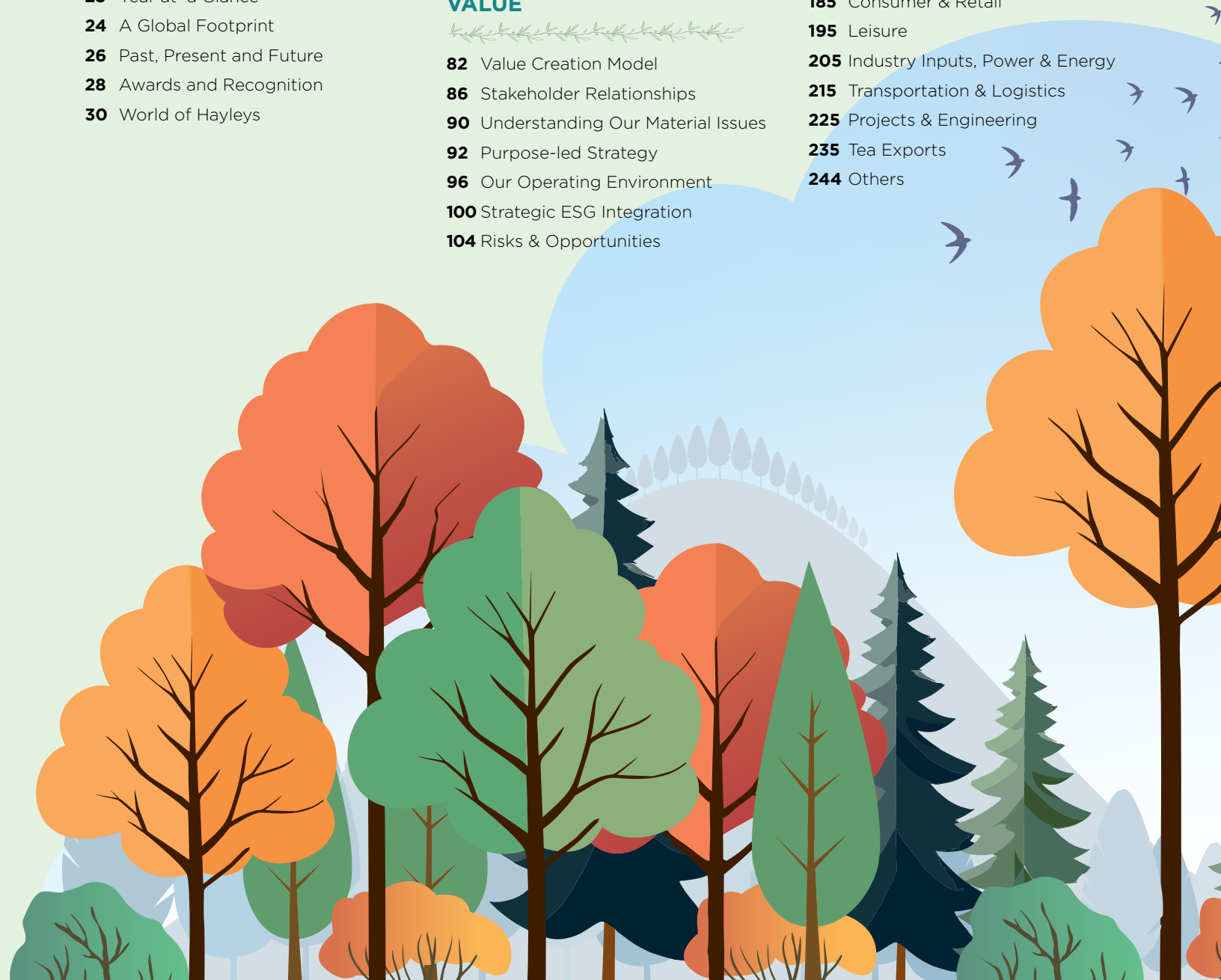
UNLOCKING VALUE

- 82 Value Creation Model
- 86 Stakeholder Relationships
- 90 Understanding Our Material Issues
- 92 Purpose-led Strategy
- 96 Our Operating Environment
- 100 Strategic ESG Integration
- 104 Risks & Opportunities

MANAGEMENT DISCUSSION & ANALYSIS

Portfolio Review

- 115 Eco Solutions
- 125 Hand Protection
- 135 Purification
- 145 Textiles
- 155 Construction Materials
- 165 Plantations
- 175 Agriculture
- 185 Consumer & Retail
- 195 Leisure
- 205 Industry Inputs, Power & Energy
- 215 Transportation & Logistics
- 225 Projects & Engineering
- 235 Tea Exports
- 244 Others



Capital Management Review

- 248** Financial Capital
 - 253** Manufactured Capital
 - 256** Human Capital
 - 266** Social & Relationship Capital
 - 273** Intellectual Capital
 - 277** Natural Capital
 - 288** Climate Risk Report
 - 305** Way Forward
-
- 306** Annual Report of the Board of Directors
 - 315** Chairman & Chief Executive's and Group Chief Financial Officer's Responsibility Statement
 - 316** Statement by the Senior Independent Director
 - 317** Statement of Directors' Responsibilities
 - 318** Directors' Statement on Internal Controls
 - 319** Audit Committee Report
 - 321** Nominations and Governance Committee Report
 - 323** Remuneration Committee Report
 - 324** Related Party Transactions Review Committee Report

FINANCIAL STATEMENTS

- 326** Independent Auditor's Report
- 330** Statement of Profit or Loss
- 331** Statement of Comprehensive Income
- 332** Statement of Financial Position
- 334** Statement of Changes in Equity
- 339** Statement of Cash Flows
- 341** Notes to the Financial Statements
- 444** Ten Year Summary
- 445** Indicative US Dollar Financial Statements
- 448** Horizontal and Vertical Analysis
- 454** Value of Real Estate
- 458** Quarterly Analysis
- 459** Share Information
- 462** History of Dividends and Scrip Issues
- 464** Country Report
- 466** Group Companies
- 471** Group Value Addition and Distribution
- 472** Awards and Recognition
- 477** Glossary of Financial Terms
- 479** Independent Limited Assurance Report
- 481** GRI Content Index Tool
- 487** Corporate Information
- 488** Notice Of Meeting
- 489** Form of Proxy
- 491** Investor Feedback Form

FEATURED CONTENT IN THIS YEAR'S ANNUAL REPORT



Advancing Value



Past, Present and Future



Strategic ESG Integration



Climate Risk Report

SASB INDUSTRY STANDARDS

- Household and personal products (**Pg 134**)
- Chemical standard (**Pg 144**)
- Apparel, accessories and footwear (**Pg 154**)
- Construction materials (**Pg 164**)
- Agricultural products (**Pg 184**)
- Multiline and speciality retailers and distributors (**Pg 194**)
- Engineering and construction services (**Pg 234**)
- Hotels and Lodging (**Pg 203**)



Providing... ...essential services

Our diverse capabilities are designed to facilitate our stakeholders with the right solutions to navigate their journey through life.

Forests supply countless services to the species that reside within and around their territory and are integral towards building a healthier, self-supportive model of growth.



Connecting... ...countless lives

Over the years we have nurtured a vast, interdependent entity that relies on longstanding partnerships and connections to generate value.

Forests are home to intricate, ecological processes, i.e., interactions between living and non-living materials that drive long-term stability and sustainability.



Learning... ...from the past and present

Our time-tested insights and experience empower us to respond to change effectively and in a timely manner.

Trees possess the ability to learn from their experiences, and thus forests represent a vast repository of knowledge that enables them to remain responsive and resilient.



THE WORLD OF HAYLEYS

Transforming our World

At Hayleys PLC, we create a dynamic, agile, and self-sustaining environment in which all life is protected, with infinite opportunities to thrive.

Forests form microclimates that provide an indispensable service to the planet, by creating a constantly evolving ecosystem that influences and regulates external dynamics. This creates an optimised environment that protects and nurtures diverse communities and safeguards their future.



Nurturing... ...our future

We rely on an ongoing process of renewing, replenishing, and restoring our surroundings, while molding the next generation to ensure our continuity and long-term growth.

Forests undergo a cyclical process that enables continuous regeneration, ongoing development, and a natural progression that ensures their ability to sustain for the foreseeable future.



Influencing... ...our surroundings

We continue to moderate and adjust our controls to ensure we maximise our impact and create an ideal space that's conducive for growth.

The environment is often vastly different beyond the boundaries of a forest. Forests can even create rain, indicating the ecosystem's ability to nurture the ideal conditions for life even amid unfavourable circumstances, by merely regulating its internal climatic conditions.



Adapting... ...to changing dynamics

The world is changing, but so are we. We continue to remain in sync with changes

Trees possess the ability to survive for thousands of years, surviving harsh conditions and the impact of an evolving world. Some forests date back hundreds of millions of years, demonstrating their adaptability and longevity in the face of adversity.

OUR INTEGRATED ANNUAL REPORT

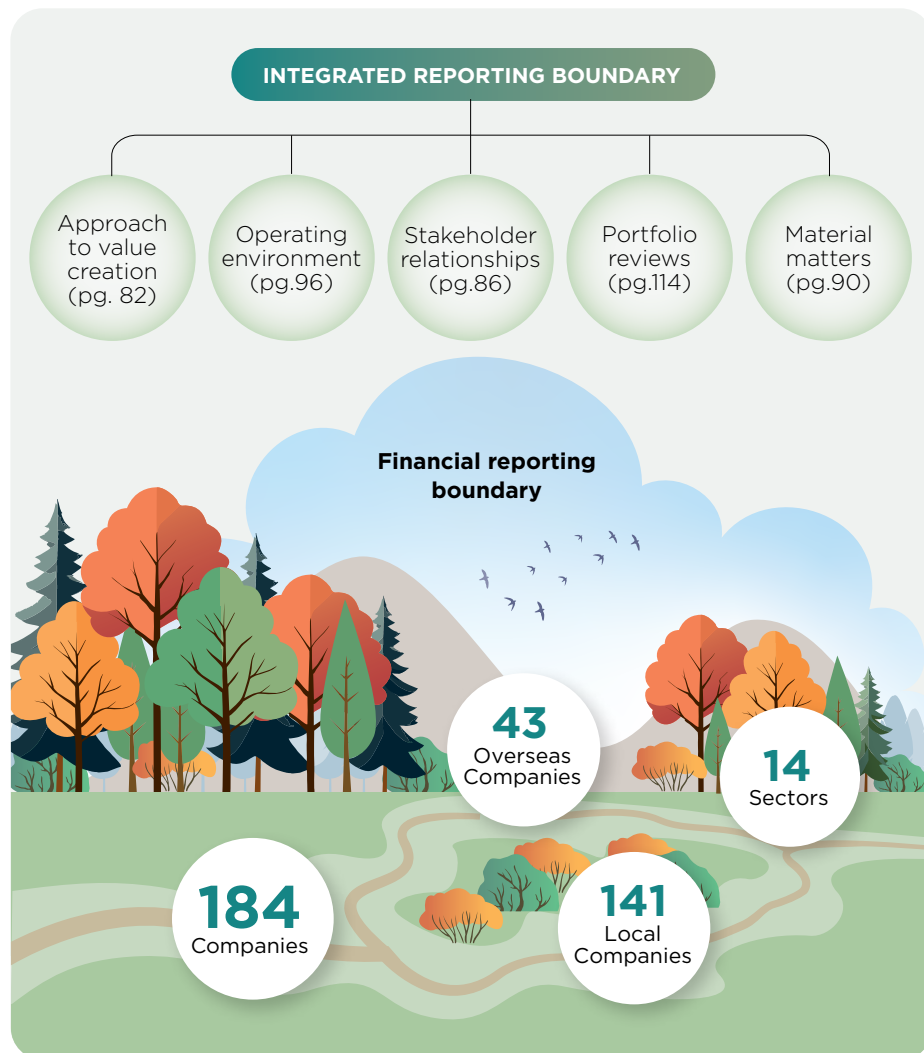
Our 11th Integrated Annual Report articulates the Hayleys Group's value creation story, demonstrating how the Group leveraged its resources and relationships to create and deliver stakeholder value while minimising value erosion. The report combines material information on our operating environment, strategy, performance, risks and opportunities, governance and future outlook in a holistic, yet concise manner.

BASIS OF PREPARATION

Reporting period: The Group adopts an annual reporting cycle and this Report covers the period from 1st April 2023 to 31st March 2024 (herein referred to as 2023/24). Any material events after this date including board changes, macro-economic developments and post-balance sheet events up to the Board approval date of 17th May 2024 have also been included.

Reporting boundary: This Report covers the operations of Hayleys PLC and its 183 affiliates (collectively referred to as the "Group") based in Sri Lanka and overseas (refer to Note 1 of the Finance statements on page 341). Significant changes to the Group's organisational structure in 2023/24 were as follows:

- Following the acquisition of the majority stake of Horana Plantations PLC (HPL) by Hayleys subsidiary Hayleys Plantation Services (Private) Limited in March 2023, HPL has been consolidated into both the financial and non-financial reporting of the Group
- Four entities (including 2 listed entities) which previously operated as subsidiaries of Singer (Sri Lanka) PLC were amalgamated into the latter during the year under review.



Sector classifications:

- Hayleys Fentons which was previously included in the 'Others' Sector will be classified as a separate Sector titled Projects & Engineering from this financial year, reflecting its increasing financial contribution to the Group and the significance of its impacts.
- Meanwhile, the Group's tea export arms, Mabroc Teas (Pvt) Ltd and Martin Bauer Hayleys (Pvt) LTD which were previously categorised

in the Plantations Sector, have been classified separately as the Tea Exports Sector.

Accordingly, historical Sector-level information in both financial and non-financial reporting has been adjusted to reflect this reclassification.

Non-financial/ESG metrics: Excluding several companies acquired/formed during the financial year, the reporting boundary for financial and non-financial reporting remains consistent.

STANDARDS AND FRAMEWORKS

 FINANCIAL STATEMENTS	 NARRATIVE REPORT	 SUSTAINABILITY REPORTING	 CORPORATE GOVERNANCE REPORT
<ul style="list-style-type: none"> Sri Lanka Financial Reporting Standards Companies Act No.7 of 2007 Listing Requirements of the Colombo Stock Exchange Sri Lanka Accounting Standards 	<ul style="list-style-type: none"> Integrated Reporting Framework Guidelines for the presentation of Annual Reports issued by CA Sri Lanka 	<ul style="list-style-type: none"> SLFRS S1 and S2 IFRS Sustainability Reporting Standards (refer to page 13 for transitional relief adopted) GRI Standards (2021) of the Global Reporting Initiative Climate Disclosure Standards Board-Water related disclosures Sustainability Accounting Standards Board (SASB) Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)-Fully integrated into the SLFRS Sustainability Reporting Standards Non-Financial Reporting Guidelines issued by CA Sri Lanka Gender Parity Reporting Framework of CA Sri Lanka Sustainable Development Goals (SDG) 10 principles of the UN Global Compact UNGC CEO's Water Mandate 	<ul style="list-style-type: none"> Listing Requirements of the Colombo Stock Exchange Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) Transparency International's assessments on Transparency in Corporate Reporting

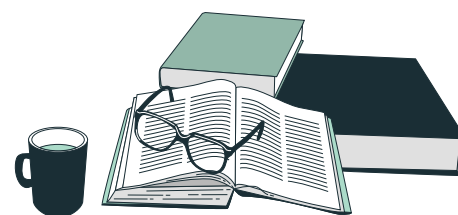
STATEMENT OF COMPLIANCE

The consolidated non-financial information/sustainability reporting information of the Group have been prepared in line with the Sri Lanka Financial Reporting Standards as issued by CA Sri Lanka; the new sustainability reporting standards designated as SLFRS S1 and SLFRS S2 represent localised versions of the IFRS S1 and S2 Sustainability Reporting Standards.

ASSURANCE

We ensure the integrity of both our financial and non-financial information through a combined assurance model which includes oversight by the management and the use of an internal audit and external assurance providers as listed below.

	Internal assurance	External assurance
Financial information and relevant processes	Internal Audit Audit Committee	External assurance on financial information by Messrs.Ernst and Young (Page 326)
Integrated report	Group ESG Division Corporate Affairs Unit	External assurance on the Group's Integrated Reporting practices have been provided by Messrs. KPMG (Page 479)
Non-financial/ESG information	Group ESG Division Group ESG Steering Committee	
GHG inventory	Group ESG Steering Committee	Sri Lanka Climate Fund in line with ISO 14064-1(2018)



Changes to reporting

The Group obtained external assurance on its GHG inventory for 2022/23 during the year; resultantly emissions for 2022/23 have been restated, while reporting and computational improvements recommended by the verifier (in line with ISO 14064:2018) are reflected in the GHG inventory for 2023/24.

OUR INTEGRATED ANNUAL REPORT



BOARD RESPONSIBILITY STATEMENT

Hayleys PLC's Board of Directors hold ultimate responsibility for ensuring the integrity of this Report. We hereby confirm that the 2023/24 Report addresses all relevant material matters and fairly represents the Group's integrated performance. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Report is approved and authorised for publication.

Chairman & Chief Executive

Chairman of Audit Committee

Group Chief Financial Officer

FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements which are based on the Group's current expectations and forecasts of future events. Readers can identify these statements through words such as anticipate, expect, estimate, intend, project, believe and other terms of similar meaning. These statements are subject to inherent risks and uncertainties and assumptions many of which relate to factors beyond the Group's control. The Group cautions investors that these factors could differ materially from those expressed in any forward-looking statement.

FORWARD-LOOKING INFORMATION IS AVAILABLE IN				
Reflections from Chairman (Page 32)	Operating Environment (Page 96)	Performance against Strategy (Page 92)	Portfolio Review (Page 114)	Way Forward (Page 305)

FEEDBACK

We are committed to consistently enhancing the quality and readability of our Annual Report and welcome your feedback, suggestions and other comments. Please direct your feedback to,



info@cau.hayleys.com



Corporate Affairs Unit-Hayleys PLC

Capitals



Financial



Manufactured



Human



Intellectual



Social & Relationship



Natural

Strategic pillars



Building resilience through portfolio optimisation



Customer centricity



Inclusive business models



Inspired teams



ESG integration

Stakeholders



Shareholders



Employees



Customers



Suppliers



Business Partners



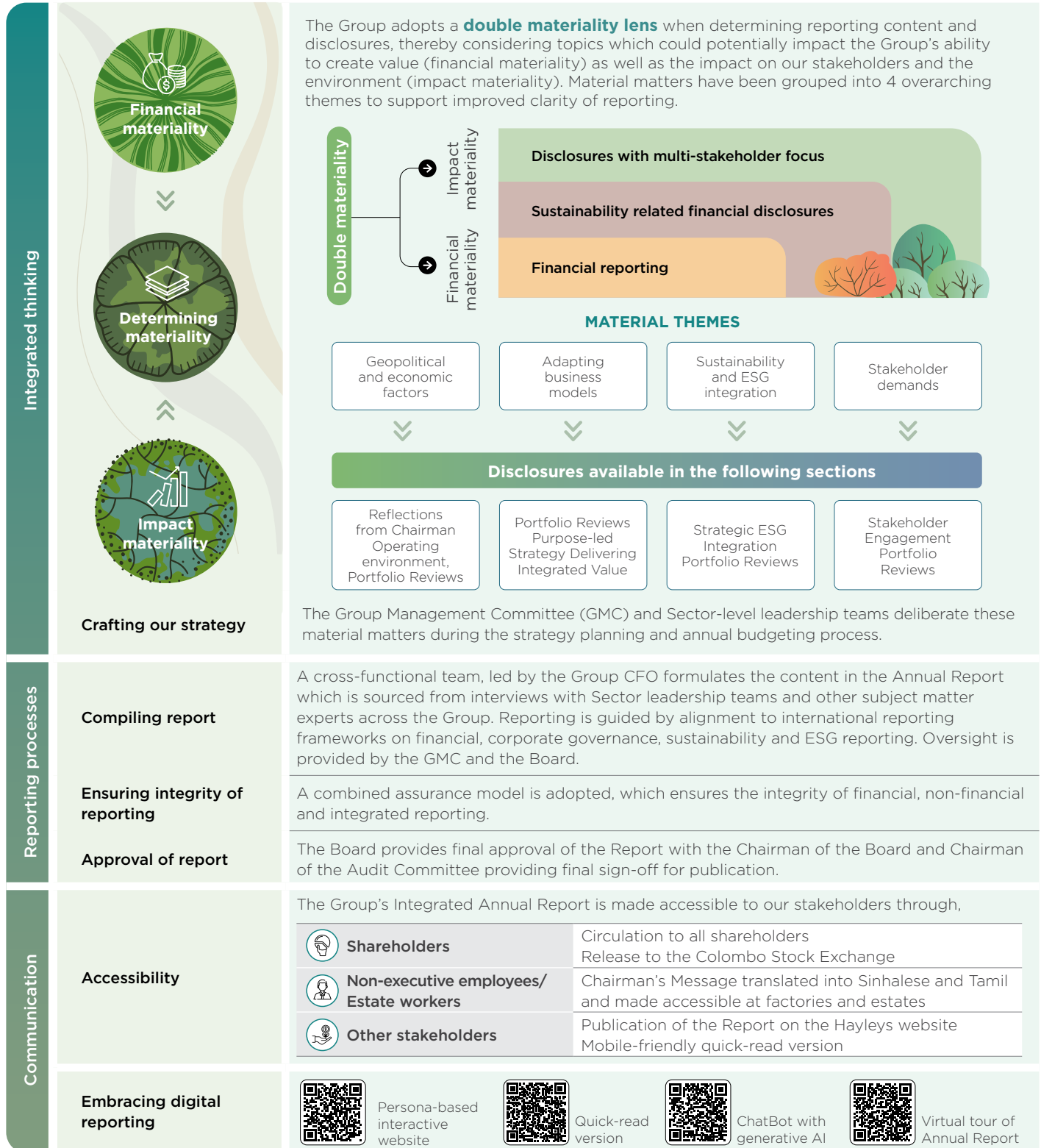
Communities



Government

OUR APPROACH TO REPORTING

Our Integrated Report is the outcome of Groupwide integrated thinking, collaboration and robust reporting processes. This process is governed by the Board of Directors, Group Management Committee (GMC) and respective functions and assured through a combined assurance model



OUR APPROACH TO REPORTING

REPORTING IMPROVEMENTS

Stakeholder feedback on our Annual Report: During the year, we conducted a stakeholder survey on our 2022/23 Annual Report, the findings of which were a key input in the planning, content formulation and design of this year's Annual Report. Administered to both internal and external stakeholders, the survey sought to assess the Report on the following dimensions.



KEY INSIGHTS IDENTIFIED

- Comprehensive disclosures and good use of graphical elements
- Require focus on simplifying information presented
- Require more concise, summarised information
- Stakeholders require more insight on the Group's way forward and projections for the future
- Increased preference for easily accessible digital platforms



Reporting improvements featured in this year's Annual Report include the following:

CONTENT IMPROVEMENTS

- Separate supplement on the Group's climate-risk management, aligned to the reporting requirements of SLFRS S2 (based on IFRS S2)
- Compliance with new Listing Rules and voluntary adoption of Code of Best Practice on Corporate Governance 2023
- Risk Management report enhanced to widen disclosures on sustainability-related risks and opportunities (SRRO)

Climate Risk Report

Separate supplement capturing the Group's approach to identifying and managing climate-related risks and opportunities.

Qualitative approach to climate-scenario analysis

- Narrative structured and formulated to articulate the Group's holistic value addition process

- Improved disclosures relating to the Group's way forward

REPORTING FRAMEWORKS

- Early adoption of SLFRS S1 and S2 (based on IFRS S1 and S2) with permitted transition relief (refer to page 13 for further information)
- Commenced reporting under the Climate Standards Disclosure Board- Water-related disclosures

MATERIALITY

- The Group's materiality assessment tool was further refined throughout the year to reflect the early adoption of the SLFRS Sustainability Reporting Standards and the SASB Standards.

NON-FINANCIAL REPORTING

- Increased accuracy and scope of the Group's GHG inventory following third-party verification.

The Group also widened its Scope 3 emission reporting. Accordingly the emissions for 2022/23 have been restated.

- Improved waste reporting to include waste by type, recovery method and disposal method

DIGITAL INNOVATIONS

- First-of-its-kind virtual tour of the Annual Report with virtual reality capabilities
- Chatbot with generative AI capabilities stimulating human interaction
- Persona-based interactive Annual Report website, providing readers easy access to stakeholder-specific information

This tool utilises advanced Chat GPT 4.0 technology and advanced module in Gen AI through Document Intelligence providing improved accuracy and an enhanced experience to users

ADOPTION OF SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

GOVERNANCE >>	STRATEGY >>	RISK MANAGEMENT >>	METRICS AND TARGETS >>
<p>Establishment of Sector-level ESG Committees with Board representation</p> <p>Quarterly reporting of ESG metrics to Group Management Committee (GMC)</p> <p>Quarterly ESG risk reporting to Audit Committees</p>	<p>Formulation of Sector-level ESG Roadmaps by 4 key Sectors</p> <p>Climate strategy centered on,</p> <ol style="list-style-type: none"> 1 Operational interventions 2 Value chain interventions 3 Leveraging opportunities 4 Integrating climate considerations 	<p>Sector-level ESG risk assessments conducted quarterly</p> <p>Integrated with business risk management processes</p>	<p>Group and Sector-level target setting through ESG Roadmaps</p> <p>three companies committed to Science-based-target-initiatives with 2 companies obtaining verification of their targets</p> <p>Improved emission reporting through,</p> <ul style="list-style-type: none"> - Widening Scope 3 coverage - External assurance

The Hayleys Group opted for early adoption of the SLFRS Sustainability Disclosure Standards S1 and S2, applying the following transitional relief announced by CA Sri Lanka, as well as the IFRS Foundation and ISSB for first-time adopters.

- **Climate-first reporting:** Application of IFRS S2 in accordance with IFRS S1, to the extent that IFRS S1 refers to climate-related information
- **Proportionality:** Qualitative approach to determine anticipated financial effects of SRROs and climate-related scenario analysis
- **Information is limited to what is reasonable, supportable and available without undue cost or effort** in measurement of Scope 3 emissions and determination of the scope of the value chain.

In aligning with the IFRS Sustainability Disclosure Standards, the Group strengthened its sustainability-related governance, monitoring and reporting mechanisms as summarised below and explained in further detail in subsequent sections of the Report.

REPORTING CONSIDERATIONS

- **Time horizons:** The time horizons in which the Group classifies its short, medium and long-term sustainability-related-risks and opportunities (SRRO) and climate-related-risks and opportunities (CRRO) are as follows; short-term (less than 1 year), medium-term (1-5 years) and long-term (over 5 years)
- **Judgements and estimates:** In preparing the required disclosures under S1 and S2 the Group has used judgement in assessing SRROs and CRROs that are material to the Group as a whole (following Sector-level assessments), identifying material Scope 3 emission sources (refer to page 303 for further information) and selecting material information to be disclosed under each SRRO.
- **Sources of guidance:** In addition to the IFRS Sustainability Disclosure Standards, the Group has referred to the following sources in its disclosures.

Sources of guidance

	Identification of SRROs	Disclosure requirements
7 SASB industry standards	✓	✓
CDSB Framework Application Guidance for Water	✓	✓
GRI Standards	✓	✓

- **Location of disclosures:** Detailed information required under IFRS S2 is given in the Group's Climate Risk Report on page 288 of this Annual Report. Other information relating to SRROs is integrated across several other sections of the Report including Corporate Governance, Strategic ESG Integration, Portfolio Reviews and Capital Management Reports among others.

Roadmap for full implementation

The Group intends to gradually strengthen the processes, controls and reporting mechanisms required for the full implementation of IFRS S1 and S2, in line with the jurisdictional transitional relief announced for the implementation of the standards in Sri Lanka. The roadmap for full implementation is as follows:

2024/25

- Widen disclosures of relevant SRROs
- Further improvements in Scope 3 emission reporting
- Commence quantitative disclosures on financial effects

2025/26

- Quantitative disclosures on climate-related scenario analysis
- Complete reporting of Scope 3 emissions

2026/27

- Strengthen reporting across all Group entities
- External assurance on IFRS Sustainability Reporting Disclosure Standards

PORTFOLIO HIGHLIGHTS

01 Transportation & Logistics

The country's leading player in the transportation and logistics industry, offering the entire gamut of transportation-related services.

21% 11% 8% 22%

02 Consumer & Retail

Sri Lanka's leading supplier of consumer durables, Singer (Sri Lanka) PLC and exclusive distributor for P&G products in Sri Lanka and Maldives. Distributor for selected products of Hayleys Agriculture and Mabroc Teas.

19% 2% 9% 4%

03 Textiles

Sri Lanka's largest fabric mill and supplier of fabric to leading global fashion brands

11% 12% 9% 21%

04 Hand Protection

Manufacturer and exporter of household and industrial gloves, serving 5% of global demand

10% 13% 6% 12%

05 Purification

Global leader in coconut-shell-based activated carbon

10% 19% 5% 13%

06 Agriculture

Industry pioneer in agricultural innovation, providing a wide range of agriculture-related solutions to the retail and export markets

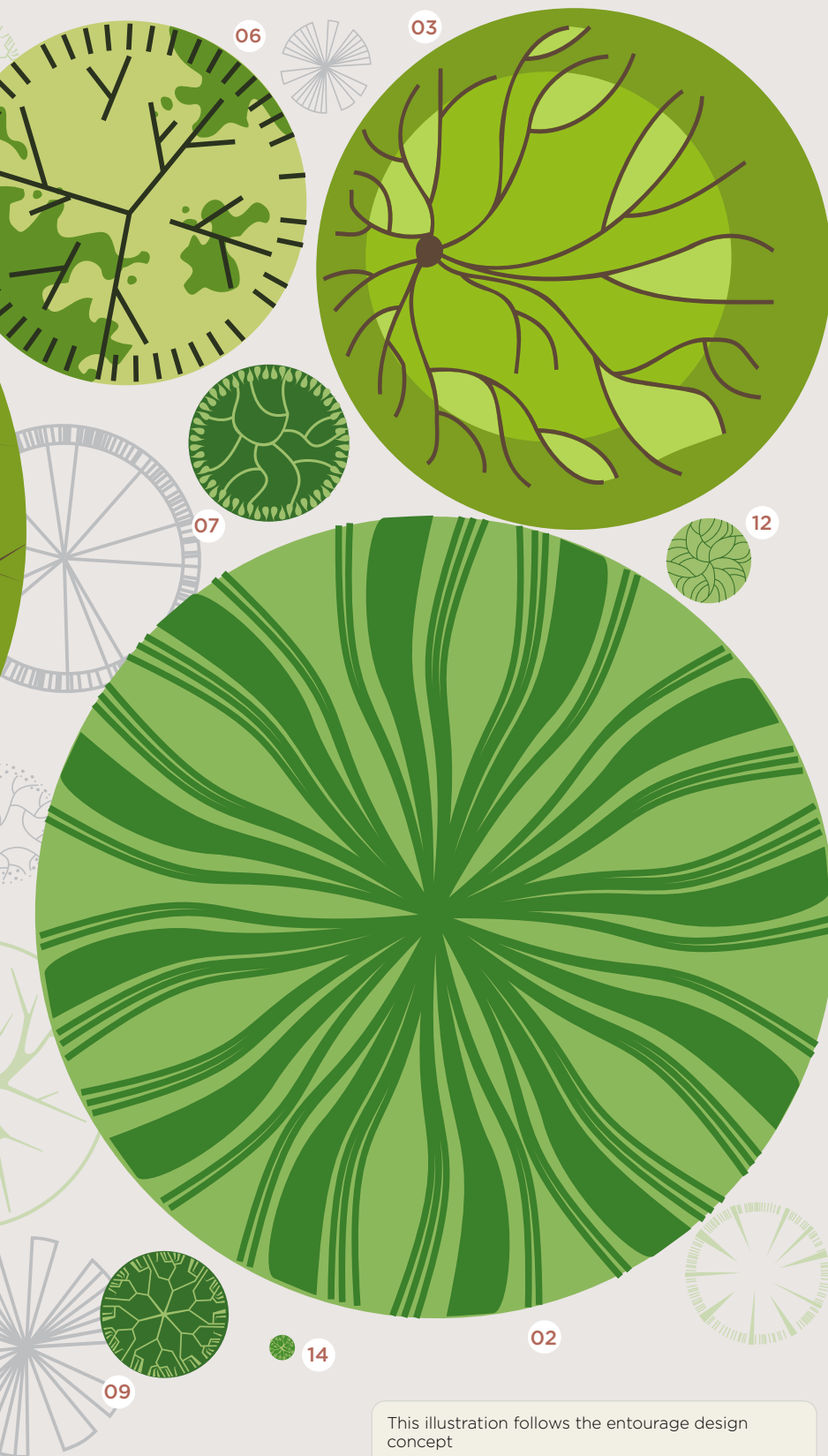
8% 9% 3% 2%

07 Projects & Engineering

Hayleys Fentons Limited- one of Sri Lanka's leading engineering solutions provider, offering an array of integrated solutions

5% 14% 4% 1%





This illustration follows the entourage design concept

● Revenue ● PBT% ● Employees
● Carbon footprint

08 Plantations

Three leading Regional Plantation Companies (RPC) which collectively generate 4.6% and 4.1% of the country's tea and rubber production

● 4% ● 11% ● 42% ● 12%

09 Eco Solutions

Sri Lanka's leading manufacturer and exporter of value-added coconut fibre products.

● 3% ● 0% ● 3% ● 3%

10 Tea Exports

The Sector comprises Mabroc (Teas) Pvt Ltd a value-added tea exporter and Martin Bauer Hayleys (Pvt) Ltd a manufacturer of tea extracts and aroma

● 3% ● 3% ● 1% ● 1%

11 Construction Materials

Sri Lanka's leading manufacturer and exporter of aluminium extrusions to both residential and industrial segments

● 2% ● 1% ● 2% ● 4%

12 Industry Inputs, Power & Energy

Supplier of inputs to diverse industries and renewable energy generators with an installed capacity of 50MW of hydro, solar and wind power plants

● 2% ● 4% ● 1% ● 0%

13 Leisure

The five-star city hotel- The Kingsbury and owner, operator, and manager of hotel properties in Sri Lanka and Maldives through the Amaya Resorts chain.

● 2% ● -6% ● 5% ● 6%

14 Others

The Sector includes Hayleys Group Services and Hayleys Business Solutions International (Pvt) Ltd- provider of BPO and shared services within the Group

● 7% ● 1% ● 0%

PERFORMANCE HIGHLIGHTS

		2024	Change %	2023	2022
EARNINGS HIGHLIGHTS AND RATIOS					
Revenue	Rs. mn	436,833	(10.38)	487,431	338,010
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	Rs. mn	53,507	(24.73)	71,088	42,013
Results from operating activities (EBIT)	Rs. mn	42,723	(30.05)	61,073	33,594
Profit before tax	Rs. mn	25,336	(40.73)	42,749	35,717
Income tax	Rs. mn	10,489	(30.43)	15,077	7,618
Profit after tax	Rs. mn	14,847	(46.35)	27,672	28,099
Profit attributable to owners of the parent	Rs. mn	6,889	(57.87)	16,352	18,257
Dividends	Rs. mn	4,013	0.00	4,013	3,000
Gross profit Margin	%	25.05	2.40	24.46	22.89
Operating Profit Margin	%	9.78	(21.94)	12.53	9.94
Net Profit Margin	%	3.40	(40.13)	5.68	8.31
Earnings per share (basic)	Rs.	9.19	(57.87)	21.80	24.34
Return on Assets (ROA)	%	3.33	(50.38)	6.70	6.97
Return on Capital Employed (ROCE)	%	14.36	(33.58)	21.63	12.12
Return on equity	%	8.59	(58.52)	20.72	27.09
Interest cover	No. of times	1.94	(9.58)	2.15	3.37
FINANCIAL POSITION HIGHLIGHTS AND RATIOS					
Total Assets	Rs. mn	446,336	8.14	412,742	403,076
Total Debt	Rs. mn	171,883	7.63	159,696	171,934
Equity attributable to equity holders of the parent	Rs. mn	80,163	1.56	78,930	67,390
Stated capital	Rs. mn	1,575	0.00	1,575	1,575
Revenue reserve	Rs. mn	47,896	6.13	45,130	35,026
Gearing	%	57.79	2.20	56.55	62.02
Debt/Equity	%	136.93	5.21	130.14	163.30
Equity Asset ratio	%	28.12	(5.40)	29.73	26.12
Net assets per share	Rs.	106.88	1.56	105.24	89.85
Current ratio	No. of times	1.14	(6.54)	1.22	1.16
Quick asset ratio	No. of times	0.77	(0.23)	0.77	0.77
No. of Shares in issue	No. mn	750	0.00	750	750
MARKET / SHAREHOLDER INFORMATION					
Market value per share	Rs.	82.10	14.03	72.00	76.90
Dividend per share	Rs.	5.35	0.00	5.35	4.00
Company market capitalisation	Rs. mn	61,575	14.03	54,000	57,675
Group market capitalisation	Rs. mn	168,127	18.02	142,458	146,134
Price earnings ratio	No. of times	8.94	170.66	3.30	3.16
Dividend yield ratio	%	6.52	(12.30)	7.43	5.20
Dividend payout ratio	%	58.25	137.36	24.54	16.43
Dividend Cover	No. of times	1.72	(57.87)	4.07	6.09
OTHERS					
Economic Value Generated	Rs. mn	149,844	4.59	143,263	103,092
Economic Value Distributed	Rs. mn	138,599	6.74	129,850	81,656
Government	Rs. mn	46,360	63.77	28,308	20,136
Employees	Rs. mn	53,122	13.82	46,671	33,794
Others	Rs. mn	35,108	(30.97)	50,859	27,725
Value Added per employee	Rs. mn	4.13	(9.20)	4.55	3.14
Group employment	Number	36,266	15.19	31,483	32,840
Average Revenue per employee	Rs. mn	12.05	(22.20)	15.48	10.29
Average operating income per employee	Rs. mn	1.18	(39.27)	1.94	1.02
Credit Ratings		AAA(Ika)		AA-(Ika)	A+(Ika)

CONSOLIDATED STATEMENT OF ESG PERFORMANCE

		2024	Change %	2023	2022
ENVIRONMENTAL PERFORMANCE					
Total Energy Consumption	GJ mn	5.29	9.72	4.82	5.06
1-Renewable energy consumption	GJ mn	3.59	16.45	3.08	3.38
2-Non-Renewable energy consumption	GJ mn	1.71	(2.19)	1.74	1.68
% Renewable energy consumption	%	68	1.49	67	67
Renewable energy generation	MWh	196,166	15.75	169,471	185,875
Renewable energy generation %					
1-Out of total energy consumed	%	11	(11.29)	12	13
2-Out of total electricity consumed	%	120	11.73	107	114
Total Carbon footprint (GHG Emission)	tCO2e	213,078	1.68	209,565	230,053
Scope 1 emission	tCO2e	106,524	0.39	106,108	114,551
Scope 2 emission	tCO2e	71,152	(3.32)	73,594	94,117
Scope 3 emission	tCO2e	35,402	18.55	29,862	21,385
Biogenic emission	tCO2e	282,951	(0.89)	285,500	378,973
Total water withdrawal	m3 mn	7.03	3.48	6.79	6.59
Rainwater harvested	m3	157,049	7147.31	2,167	21,664
Recycled water usage	%	14	55.56	9	9
Solid waste	MT	20,850	8.43	19,229	23,120
Effluents discharged	m3 mn	4.85	(7.53)	5.24	5.07
Waste water treated through internal treatment plants	%	51	4.08	49	46
Energy intensity (energy per revenue)	GJ/Rs.mn	12	22.42	10	15
Emission intensity (emission per revenue)	tCO2e/Rs. mn	0.49	13.95	0.43	1
Water intensity (water withdrawal per revenue)	L/Rs.mn	16,101	15.53	13,937	19,494
SOCIAL PERFORMANCE					
EMPLOYEES					
Employees on payroll	No.	36,266	15.19	31,483	32,840
Female Representation	%	35	2.94	34	35
New Recruits	No.	9,635	96.99	4,891	5,739
Payment to Employees	Rs. mn	53,122	32.04	40,232	33,794
Investments in training	Rs. mn	183	1.67	180	69
Training hours	Hours	369,589	39.01	265,877	248,649
Average training hours per employee	Hours	10.19	20.66	8.45	7.60
Retention Rate	%	74	(7.50)	80	85
Workplace Injuries	No.	390	156.58	152	253
Lost working days	No.	902	(16.17)	1,076	2,111
CUSTOMERS					
Customer acquired	No.	1,237,901	32.26	935,928	1,788,842
Revenue generated	Rs. mn	436,883	(10.37)	487,431	338,010
No. of new products developed		624	13.66	549	749
No. of products in the pipeline		695	122.76	312	160
Investment in R&D		548	69.80	323	429
SUPPLIERS AND BUSINESS PARTNERS					
Payments to suppliers	Rs.mn	325,356	(17.04)	392,194	237,690
Proportion of spending on local suppliers	%	54	38.64	61	44
Suppliers supported through development programs	No.	1,318	(39.21)	2,168	2,422
COMMUNITY ENGAGEMENT					
Investment in CSR	Rs.mn	408	(5.68)	433	311
CSR beneficiaries	No.	707,580	(29.04)	997,089	540,576

PERFORMANCE HIGHLIGHTS

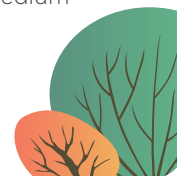
		2024	Change %	2023	2022
GOVERNANCE AND ETHICS PERFORMANCE					
Boards of Directors (in the Group)	No.	367	29.68	283	293
Audit Committees (in the Group)	No.	19	0.00	19	18
HR & Remuneration Committees (in the Group)	No.	13	44.44	9	4
Related Party Transaction Review Committees (in the Group)	No.	13	85.71	7	3
No. of Board meetings held	No.	127	(2.31)	130	128
No. of Audit Committee meetings held	No.	82	7.89	76	72
Female representation on Boards	%	11	(52.17)	23	28
Human rights violations	No.	Nil	-	Nil	Nil
Anti-corruption incidents	No.	Nil	-	Nil	Nil
Instances of socio-economic non-compliance	No.	Nil	-	Nil	Nil
Instances of environmental non-compliance	No.	Nil	-	Nil	Nil
ECONOMIC PERFORMANCE					
Foreign exchange income earned	USD mn	591	(9.22)	651	600
Indirect employment	No	4,227	(25.11)	5,644	5,960
CAPACITY BUILDING					
Construction Material (Training programmes)	No	115	(7.26)	124	339
Job creation outside the Western Province	No	4,823	156.13	1,883	1,694
Tax paid	Rs. mn	46,360	63.77	28,308	12,482
Innovations (total new product introduced)	No	624	13.66	549	349
Renewable energy generated	MWh	196,166	15.75	169,471	151,647

BASIS OF PREPARATION OF THE CONSOLIDATED STATEMENT OF ESG PERFORMANCE

Principles of consolidation: Environmental disclosures including energy consumption, emissions, water and waste covers all Group-wide manufacturing sites, plantations, corporate offices and other sites. Social and governance-related disclosures also relate to the Hayleys Group comprising all entities controlled by the Group.

Materiality: In assessing whether a disclosure is sufficiently material to be included in the Group's Statement of ESG Performance, the management considers its potential on the Group's ability to create value in the short, medium and long-term and the extent of its social and environmental impacts.

Policies: The methods of computation and information aggregation of the ESG disclosures are set out within the relevant capital reports and have been applied consistently in the preparation of the consolidated ESG Statement.





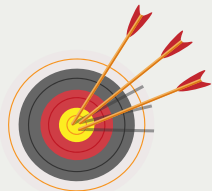
OUR PURPOSE

**TO INSPIRE AN INCLUSIVE
WORLD AND A THRIVING
PLANET**



VISION

**TO BE SRI LANKA'S
CORPORATE INSPIRATION
AT ALL TIMES**



MISSION

**DELIVERING SUPERIOR
SHAREHOLDER VALUE BY
UNLEASHING THE FULL
POTENTIAL OF OUR PEOPLE
AND ACHIEVING LEADERSHIP
IN ALL OUR DOMESTIC AND
GLOBAL BUSINESSES**



VALUES

- H** - Honesty and integrity - ethical and transparent in all our dealings.
 - A** - Accountability - holding ourselves responsible to deliver what we promise.
 - Y** - Yes, WE can! (Team Work) - working with each other and with our partners across boundaries, to make things happen.
 - L** - Love for humanity - treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance.
 - E** - Enduring Customer Value - enhancing experiences for every customer, from the rural farmer to the global consumer.
 - Y** - Yes, we WILL WIN! (a Will to win) - exhibiting the will to win that which is important to Hayleys and its shareholders.
 - S** - Social Responsibility as a Good Corporate Citizen - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do.
- &
- I** - Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys

ADVANCING VALUE

ELEVATING QUALITY OF LIFE

Convenience, comfort and connectivity through world-class consumer durable solutions

143

SKUs

34

Global brands

5,782

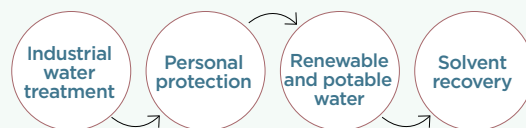
Customers

Enriching lifestyles through

- Curating leisure experiences through our hospitality offerings
- Manufacture of high-quality, innovative fabrics



Purifying air and water through an array of activated carbon solutions in the Purification Sector.



Safety, hygiene and protection through producing an array of multi-purpose gloves catering to households and industries

Nutrition and dietary wellness

through an array of sustainable, high-quality and innovative agricultural products including tea, spices, value-added vegetables and fruits.

The Group also plays a critical role in facilitating access to essential agricultural inputs and machinery, thereby strengthening the country's Agriculture industry.

ACCELERATING THE TRANSITION TO A GREEN ECONOMY

Leading the shift to renewable energy

- 50 MW installed capacity of renewable energy through the Power & Energy Sector
- 200MW of solar power installations across Sri Lanka through Hayleys Fentons
- 196,166 MWh generations of renewable energy across the Group.



Circularity

- 56% use of recycled aluminium by the Construction Materials Sector
- Biodegradable gloves created by the Hand Protection Sector
- Waste to dye initiatives at Hayleys Fabric

Commitment to reduce emissions

- 3 companies in the Group have committed to SBTi with 2 obtaining verification of its targets
- 68% reliance on renewable energy

Biodiversity

- Biodiversity regeneration within a 9-acre wetland park
- Replenishing Sri Lanka's blue carbon ecosystems through Advantis Blue Carbon Drive
- >69,000 trees planted during the year by Sectors

DRIVING NATIONAL ECONOMIC GROWTH

One of Sri Lanka's largest value-added exporters, accounting for **5%** of the country's export income

Strengthening the country's foreign exchange position through generating USD **591** mn forex income

Accounts for **4.6%** and **4.1%** of Sri Lanka's respective tea and rubber production



Sri Lanka's largest exporter of processed fruits and vegetables

Facilitating business growth through the development of essential infrastructure

National and international **logistics and transportation services** through Hayleys Advantis

IT and digital infrastructure through HBSI

A range of **industrial inputs and infrastructure** offered through Hayleys Aventura

Engineering and building solutions including solar power installation through **Hayleys Fentons**

PUSHING THE BOUNDARIES OF INNOVATION

Gloves

Development of advanced sports gloves, specialised gloves for the electric vehicle industry and high-cut resistant gloves



Purification

Innovation in energy storage and hard carbon solutions

Climate-smart agriculture solutions

Innovation which seeks to build climate resilience in the country's agriculture sector

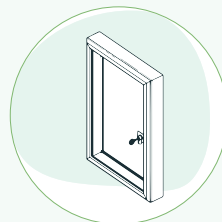
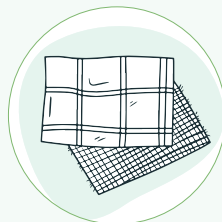


Eco Solutions

New applications of growing media solutions and coco-fibre

Sustainable textiles

Sustainable sportswear- Eco Stretch by Hayleys Fabric, centers on a closed-loop system and breaks away from traditional elastane



Aluminium profiles and products

Range of new solutions including balconies, fences, artificial walls and new satin finish product range

ADVANCING VALUE

SOCIAL AND ECONOMIC EMPOWERMENT

Injecting value across our extensive smallholder supplier base including,

>11,900

Out-growers

>6,000

Rubber farmers

345

Tea smallholders

Payments of over **Rs. 53.12 bn** made to **>36,200** employees

Payments of over **Rs. 325 bn** made to suppliers.



Suppliers and business partners developed through capacity building including,

Fabricators
Rubber farmers
Solar installers
Outgrowers

>129,000
estates
communities

and families supported through womb-to-tomb proposition

Rs. 408 mn
investments in CSR activities including provision of medical equipment and infrastructure development

DRIVING INDUSTRIES FORWARD THROUGH COLLABORATION

Facilitating dialogue on critical industry-specific issues through **knowledge sharing** which includes,

- International Plantations Sustainability Summit 2023
- Congress for Sustainable Materials 2024
- Supplier development forums

Research and Development collaborations with international and national universities, institutes and other government bodies in,

- Collectively achieving sustainability aspirations in decarbonisation, circularity and ecosystem preservation
- New product developments
- Process improvements and resource efficiency



Leadership positions in industry bodies held by our employees including,

- Board Member of United Nations Global Compact
- Chairmanship of Sri Lanka Planters' Association
- Chairman of Industrial Association of Sri Lanka

Active representation in cross-sector and multi-stakeholder partnerships including,

- UNGC- Hayleys PLC and 9 organisations within the Group are members of the UNGC
- Partnerships with government and like-minded organisations to drive environmental preservation including protecting natural habitats, regenerating mangroves and preserving habitats among others

YEAR AT A GLANCE

January 2024

- Hayleys Advantis named Best Transportation and Logistics Company in Sri Lanka and South by the Global Brands Magazine, UK
- Fentons Ltd transitions to Hayleys Fentons Limited

March 2024

- Hayleys PLC triumphs as overall winner of ACCA Sustainability Reporting Awards
- Talawakelle Tea Estates PLC wins Best Corporate Citizen Award Sustainability Award 2023

November 2023

- Talawakelle Tea Estates recognised in the UNGC SDG Stocktake report for 2023
- Haycarb joins Forces with Coconut Development Authority and Coconut Cultivation Board on major coconut tree planting drive

February 2024

- Hayleys Aventura concludes Congress for Sustainable Materials 2024

December 2023

- Hayleys Group sweeps Presidential export awards with 17 wins
- Advantis Group launches ESG Strategy, 'Helios'
- Hayleys shines at CA Sri Lanka TAGS Awards winning 18 awards including 'Overall Excellence in Corporate Reporting'

August 2023

- Hayleys Agriculture commences the manufacture of Polyethylene pipes
- Hayleys Fabric wins Best SDG Impact at ESG World Summit and GRIT Awards
- Haycarb launches holistic ESG Roadmap 'Activate'

September 2023

- Hayleys Fabric partners Pro Green Lab to launch a range of upcycled construction materials

June 2023

- Hayleys Solar partners with Crystal Martin for ground breaking solar installation project

July 2023

- Hayleys Plantations conducts world's first-ever Sustainability Summit in the plantations industry

April 2023

- DPL launches ambitious new venture into advanced sports gloves
- Haycarb initiatives Sisu Divi Pahana school meals programme

May 2023




- Advantis, in partnership with Cordelia Cruises launch the first-ever cruise sailing experience around the island

A GLOBAL FOOTPRINT

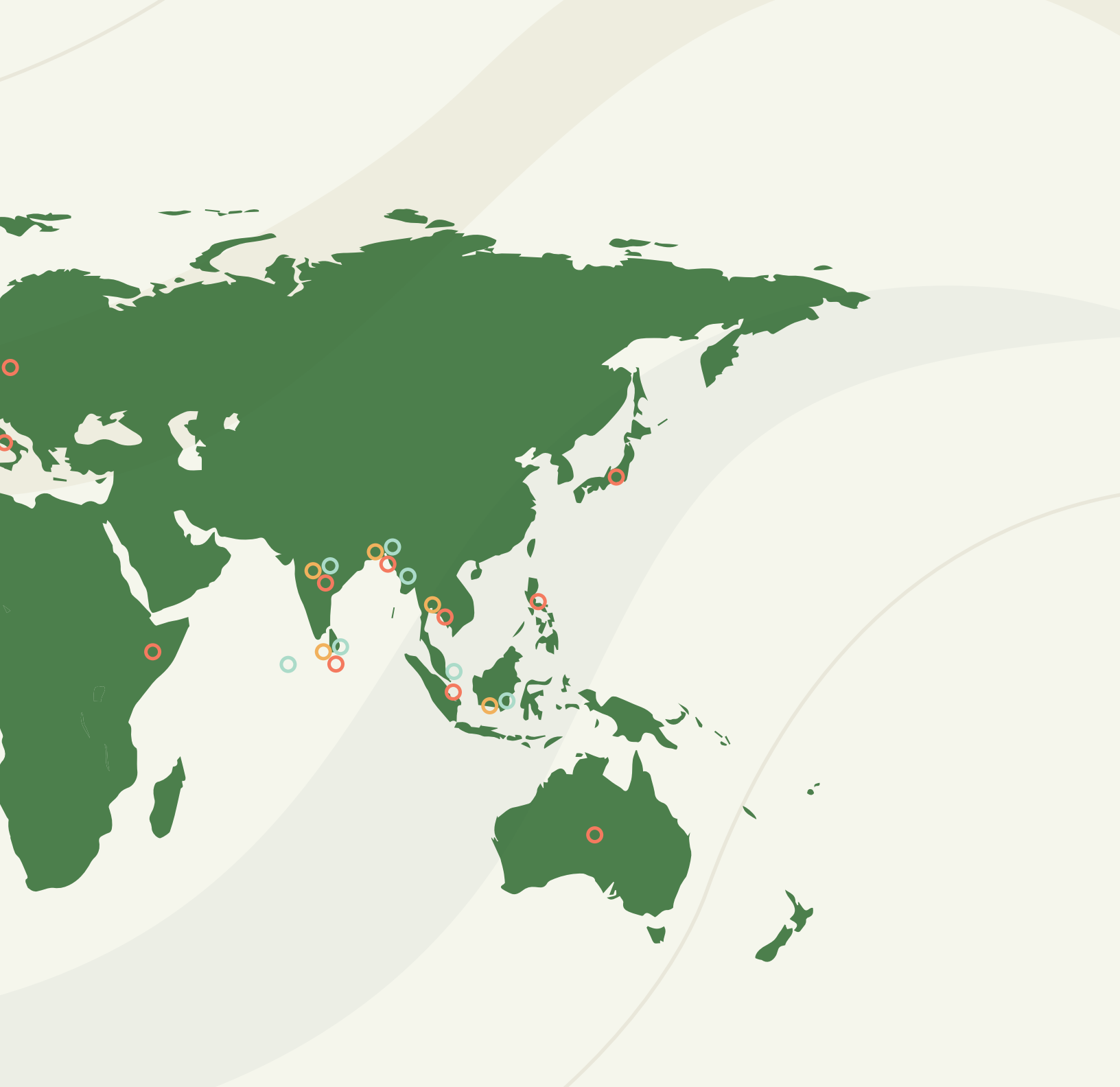
 **18**
countries

 **54%**
of Group Revenue
generated from exports

 **2,133**
Employees in overseas
locations

-  Marketing offices
-  Manufacturing locations
-  Service operations

	Sri Lanka	Australia	Bangladesh	India	Indonesia	Italy	France	Poland
Revenue (Rs.Mn)	361,979	3,307	6,602	2,104	8,492	8,949	3,573	956
Profit before tax (Rs.Mn)	23,201	523	864	55	1,477	52	(450)	(3)
Tax (Rs.Mn)	9,238	157	366	7	364	12	-	-
CAPEX (Rs.Mn)	15,635	13	84	12	63	13	-	-
Total Assets (Rs.Mn)	387,760	1,447	5,872	890	5,253	9,070	2,174	389
Total Borrowings (Rs.Mn)	156,552	13	1,954	61	530	2,999	322	-
Employees (No.)	34,133	26	357	32	286	20	43	10



Maldives	Myanmar	Singapore	Thailand	United Kingdom	USA	Japan	Netherlands	British Virgin Islands	Kenya
6,867	1,714	1,995	15,702	4,579	8,816	914	-	-	283
(2,550)	115	19	1,504	(151)	221	41	9	387	19
91	25	3	195	(31)	38	13	-	-	11
1,041	5	39	917	10	-	-	-	-	7
10,208	870	2,054	12,642	1,846	4,684	221	138	636	184
8,227	95	0	189	21	840	-	-	-	80
211	176	23	932	14	2	-	-	-	1

PAST, PRESENT AND FUTURE

From its humble beginnings as a manufacturer of coconut fibre over 145 years ago, to Sri Lanka's most diversified conglomerate today, the Group's evolution has been characterised by a singular commitment to drive value addition and excellence across all spheres of its operations. Across its business lines, organic and inorganic growth has always centered on enhancing value through offering innovative and sophisticated solutions catering to increasingly complex customer needs. Today, our intrinsic link to every facet of the country's economy and our deep connections to international supply chains have allowed Hayleys to showcase the best Sri Lanka has to offer in the global arena

OUR PAST


1878

Formation of Chas.P.Hayleys & Co. in Galle

1913

Hayley & Kenny purchase 400, Deans Road premises

1954

Hayleys becomes a public company

1958

Shipping agency department formed (forerunner of Advantis)

1973

Haycarb pioneers manufacture and export of activated carbon and export of activated carbon

1976

Dipped Products Ltd. Incorporated to manufacture rubber gloves

2011

Acquisition of Alumex Group

2016

Acquisition of Fentons Limited

2017

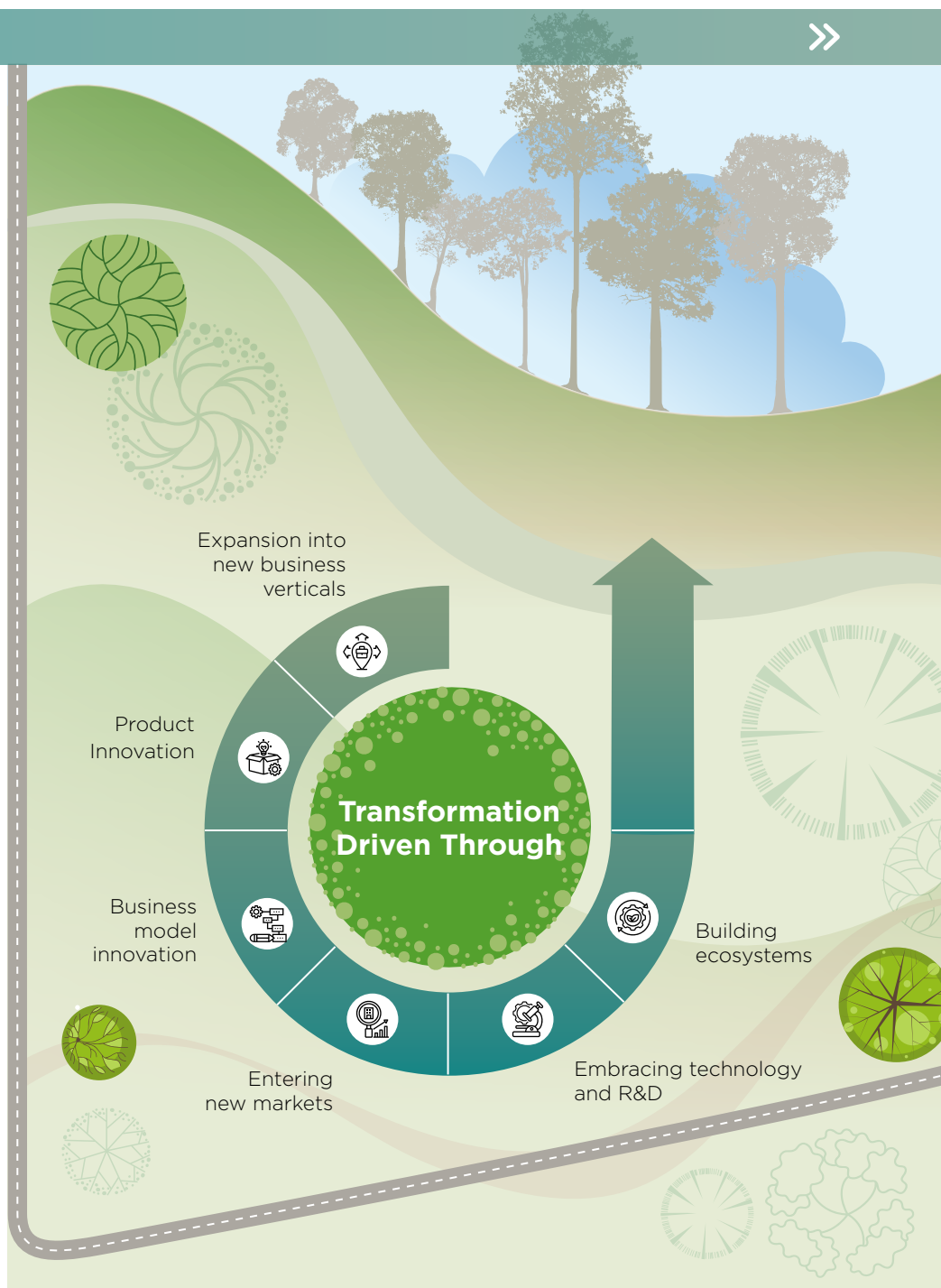
Acquisition of majority stake in Singer (Sri Lanka) PLC and Sri Lanka Shipping Company Ltd

2021

Hayleys Fabric acquires South Asia Textiles Ltd

2023

Acquisition of Horana Plantations PLC



THE PRESENT

Sri Lanka's most diversified conglomerate with unparalleled socio-economic impacts



Global leader in coconut-shell based activated carbon



Serves 5% of global demand for household and industrial gloves



Sri Lanka's leading supplier of consumer durables



Sri Lanka's largest exporter of processed fruits and vegetables



Sri Lanka's leading provider of integrated transportation and logistics solutions



Sri Lanka's largest exporter of fibre-based value added products

FUTURE



Maintain global market leadership positions in key verticals



Achieve maturity of new businesses entered into in recent years



Pursue new opportunities across verticals and customer segments



Value addition and contribution to the domestic economy



Strategic integration of ESG



Digitalisation and automation across key operations and processes

AWARDS AND RECOGNITION



HAYLEYS PLC REAFFIRMED ITS POSITION AS THE LEADER IN SRI LANKA'S CORPORATE REPORTING SPHERE, WINNING THE COVETED OVERALL EXCELLENCE IN CORPORATE REPORTING AWARD AT THE TAGS AWARDS 2023 AND EMERGING WINNER AT THE ACCA SUSTAINABILITY REPORTING AWARDS 2023



OVERALL EXCELLENCE

CNCI Achievers Awards 2023

Gold Awards

National Level Manufacturing Sector: Extra Large Category-Haycarb PLC
National Level Service sector- Hayleys Advantis

National Business Excellence Awards

Winner

Export Sector-Dipped Products PLC
Construction Sector- Hayleys Advantis

National Quality Awards 2022

Large Manufacturing Category-Dipped Products PLC

Slim Kantar People's Awards

People's brand of the year- Singer (Sri Lanka) PLC
Consumer Durable brand of the year- Singer (Sri Lanka) PLC



EXPORT CONTRIBUTION

Presidential Export Awards

Gold Awards

Coconut shell products- Haycarb PLC
Rubber products-Dipped Products PLC
Floriculture- Quality Seed Company
Processed foods, nuts and vegetables- HJS Condiments
Best SME exporter- Quality Seed Company
Hub Operations and Entrepot Trade- Advantis Free Zone
Marine and Offshore Services -Advantis Bunkering



CORPORATE REPORTING

TAGS Awards 2023

Gold Awards

Diversified Holdings (Group Turnover above LKR 50 bn)- Hayleys PLC

Integrated Reporting- Hayleys PLC

Manufacturing Sector (Group Turnover above LKR 10 bn)- Haycarb PLC

Manufacturing Sector (Group Turnover upto LKR 10 bn)- Singer (Sri Lanka) PLC

Plantations Sector- Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC (joint gold)

Trading Companies- Singer (Sri Lanka) PLC

Service Sector-Hayleys Advantis Ltd

ACCA Sustainability Reporting Awards 2023

Winner:Diversified and Conglomerates Category-Hayleys PLC

Winner: Retail Category-Hayleys Fabric PLC

SAFA Awards 2022

Gold Award

Diversified Holdings- Hayleys PLC

Agriculture & Plantation sector-Horana Plantations PLC

Service Sector (Excluding Financial Services & Communication & IT)-Singer (Sri Lanka) PLC

9th Asia Integrated Reporting Awards

Gold Awards

Value Creation Category- Haycarb PLC

Integrated Thinking- Talawakelle Tea Estates PLC



SUSTAINABILITY

Best Corporate Citizen Sustainability Awards 2023

Overall winner-Talawakelle Tea Estates PLC

Retail Sector Winner- Singer (Sri Lanka PLC

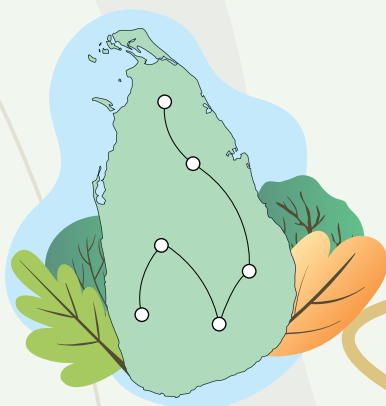
Best Project Sustainability Awards - Haritha Angara, Haycarb PLC -HJS Condiments Ltd

ESG World Summit & Awards 2023

Best SDG impact award for commitment contribution towards sustainability- Hayleys Fabric PLC

WORLD OF HAYLEYS

The Hayleys Group is Sri Lanka's leading diversified conglomerate and one of the country's most socio-economically impactful organisations. The Group's extensive business interests across 14 industry verticals, global market positions and unparalleled depth and breadth of relationships across Sri Lanka's diverse supply chains have enabled it to drive inclusive progress, integrating itself with the socio-economic fabric of the nation over an illustrious history of nearly 150 years.



Driving national economic growth

Tax Contribution
Rs. 46.36 bn

Economic Value Generated
Rs. 149.84 bn

Export Income Generated
USD 591 mn



Sri Lanka's most diversified conglomerate

Industry Sectors
14

Companies
184

Countries in Operation
18



Inclusive Progress

Employees
36,266

Indirect Employment
>29,000 along value chain
>4,000 indirect employment

Local Procurement
54%



Strength and Stability

Revenue
Rs. 436.83 bn

Profit before tax
Rs. 25.34 bn

Total Assets
Rs. 446.34 bn

Market Capitalisation
Rs. 61.58 bn

PURPOSEFUL AND RESPONSIVE LEADERSHIP

Guiding our World

Our strong roots are the underlying structures that guide our future and support our resilience, enabling us to share our insights across our vast network, and respond to change.

Forests are built on an interconnected, complex and collaborative underground network known as the Wood Wide Web. This longstanding, mutualistic relationship empowers the real-time sharing of knowledge and resources, so that each entity within the network is able to rapidly anticipate and respond to external challenges and mitigate potential threats.





REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

Mohan Pandithage

The Hayleys Group's evolution over the past 147 years has been inextricably linked to the country's trajectory and we have been privileged to witness and contribute to fostering Sri Lanka's resilience and unlocking its potential

Dear Stakeholder,

In my message to our valued stakeholders last year, I shared my optimism and hope for the future of Sri Lanka, the Hayleys Group and the economic climate we are operating in. As the country gradually but definitively emerges from the unprecedented economic vulnerabilities of 2022/23, today I am even more hopeful of what the future holds. I have experienced firsthand how remarkably our team persevered during this transitional and volatile period, relying on their characteristic spirit and agility to anchor the Group's value creation. Against this backdrop, it is my pleasure to present to you the 11th Integrated Annual Report and the Audited Financial Statements of Hayleys PLC for the financial year ended 31st March 2024.

With today's global reality being one in which ambiguity and constancy of change outweighs any semblance of certainty, the Hayleys Group performed credibly to generate a Consolidated Revenue of Rs. 436.83 bn and a Profit Before Tax of Rs. 25.34 bn. While these numbers represent a normalisation from the record highs of the previous year, I believe this year it is important to look beyond the financial statements to truly appreciate the Group's underlying achievements, which have strengthened the Group's resilience and positioned it for transformational growth. We entered new markets with significant upside potential, debuted exciting innovations, strategically embedded environmental and social considerations into our processes and continued to invest in developing the capabilities of our people as well as across industry value chains.

As Sri Lanka's corporate inspiration, the Group continued to be recognised for excellence across numerous aspects of its operations. Hayleys solidified its position as a leader in Sri Lanka's corporate reporting arena winning the Overall Excellence in Corporate Reporting for the 2nd

consecutive year at the TAGS Awards 2023 while securing 17 more awards across the Group. Hayleys was also ranked the overall winner at the ACCA Sustainability Reporting Awards 2023. Hayleys was also recognised for its contribution to exports at the 25th Presidential Export Awards, where the Group clinched an unmatched 17 awards across different industries.

Meanwhile, our plantation subsidiary Talawakelle Tea Estates PLC emerged victorious at the Best Corporate Citizen Sustainability Awards 2023 organised by the Ceylon Chamber of Commerce, marking the first time in history that a plantation sector entity achieved this feat.

OUR WORLD OF VALUE

The Hayleys Group's evolution over the past 147 years has been inextricably linked to the country's trajectory and we have been privileged to witness and contribute to fostering Sri Lanka's resilience and unlocking its potential. We are proud to be one of Sri Lanka's most socio-economically impactful organisations, with deep rooted relationships across value chains, customer networks and communities. We integrate rural farmers and outgrowers to global value chains of international brands, enabling Sri Lankan produce to reach the shelves of the world's leading retailers; our extensive product portfolio ranging from specialised gloves and advanced purification solutions to value-added agricultural products and consumer durables elevate quality of life across communities and facilitate the growth of industries; environmental interventions in our own operations as well as across value chains are accelerating the transition to a green economy and our strategic ESG initiatives are driving meaningful economic, social and environmental change across the country. At a time when social debate is rife on purpose vs profit, Hayleys has demonstrated how the two can go hand-in-hand. It is this ability to thrive as a business entity while injecting value across our

ecosystem and catalyzing positive change that truly defines who we are and make us an integral part of Sri Lanka's growth trajectory.

RESET, RECOVERY AND RESILIENCE

While globally, the year 2023 marked a return to relative stability after consecutive years of material COVID-related disruptions, businesses find themselves in cascading and connected crises, resulting in persistently volatile and complex conditions. Geopolitical tensions escalating to active conflict in several regions led to supply chain disruptions, triggering a surge in inflation and synchronised monetary policy tightening across key markets. Major economies, however, demonstrated surprising resilience contributing towards an estimated 3.1% growth in the global economy in 2023.

Sri Lanka is on a path to recovery, with the economy showing initial, yet definitive signs of stabilisation in 2023. Structural and policy reforms, implemented under the IMF's Extended Fund Facility (EFF) program which included cost-reflective utility pricing and fiscal consolidation measures have contributed to macro-economic stability. The successful completion of the domestic debt restructuring in September 2023 led to increased confidence. Subsequently, in November 2023 an Agreement in Principle for debt restructuring was reached with official creditors and negotiations are currently ongoing with commercial creditors.

As a result of these coordinated interventions, Sri Lanka's economic contraction slowed to 2.3% in 2023, compared to the sharp degrowth of 7.3% experienced in 2022. The economy reversed its decelerating trend in the 3rd quarter of the year, with GDP recording an expansion in the 2nd half of the year following six consecutive quarters of contraction. While demand remained subdued reflecting lower disposable incomes, external and fiscal balances improved;

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

foreign exchange liquidity pressures eased significantly supported by the recovery of tourism and Workers' Remittances resulting in foreign exchange reserves improving to about 8-9 weeks of imports by end of 2023. The improved foreign exchange inflows led to the appreciation of the local currency, with the Sri Lankan Rupee appreciating by 8% during the financial year to close the year at Rs. 301.81/USD.

Following soaring prices in 2022, inflation decelerated in 2023 reflecting improved supply conditions, the appreciation of the Rupee and the easing of monetary financing. Resultantly, inflation levels as measured by the Colombo Consumer Price Index (CCPI) fell from 35.30% in the beginning of the financial year to 0.90% in March 2024. As inflation moderated, the Central Bank of Sri Lanka (CBSL) adopted an easing monetary policy stance; the reduction in the policy rates resulted in the Standing Deposit Facility rate and Standing Lending Facility rate decreasing to 9% and 10% respectively. Monetary easing together with better clarity on domestic debt restructuring resulted in market interest rates trending downwards; accordingly, the Average Weighted Prime Lending Rate decreasing to 10.69% from 21.40% a year ago.

While the stabilisation of the country's macro-economic fundamentals were largely conducive to business growth, as an export-oriented business the Group was adversely impacted by the appreciation of the Sri Lankan Rupee during the year as most input costs settled around LKR350-360 per USD. That said, Hayleys continued to leverage its diversity to mitigate external impacts to a large degree, as adverse effects on a particular sector are typically countered by opposing impacts on a different sector.

PERFORMANCE OVERVIEW

Strategic interventions in recent years to build resilience through rationalising

and optimising its businesses enabled the Group to navigate the challenges of the year with agility. Key areas of strategic focus during the year included diversification the Group's geographical footprints and customer segments while relentlessly pursuing customer-centric innovation and service excellence. Following its acquisition by the Group in March 2023, Horana Plantations PLC has been included in the consolidated financial statements of the period under review.

Despite volatile exchange rate dynamics, the Group contained the y-o-y decline in top line to 10% delivering a Consolidated Revenue of Rs.436.83 bn during the year. The Transportation and Logistics Sector maintained its position as the largest contributor to Group Revenue with a share of 21%, followed by Consumer & Retail which accounted for 19%. The Group's key export-oriented sectors recorded Revenue declines amidst unfavourable exchange rate, while Projects & Engineering, Leisure, Consumer & Retail, Plantations, Industry Inputs, Power & Energy and Agriculture recorded Revenue growth.

Group Earnings Before Interest and Tax (EBIT) decreased by 30% to Rs.42.72 bn during the year reflecting cost escalations, appreciation of the Sri Lankan Rupee and subdued demand across key verticals. That said, the Projects & Engineering (Hayleys Fentons) Sector delivered an EBIT growth of 90% while the Textiles Sector also demonstrated strong resilience to achieve an EBIT growth of 37%. Net Finance Cost declined by 8% to Rs.17.24 bn reflecting the downward trajectory of interest rates during the year.

The Group demonstrated resilience in a challenging year to deliver Profit Before Tax of Rs.25.34 bn, with the Purification, Projects & Engineering and Hand Protection Sectors emerging as key contributors to profitability. It is noteworthy that the Projects & Engineering Sector achieved a near

tripling of Profits during the year led by the strong growth in solar energy, which saw the Sector moving up to the rank of 2nd highest profit contributor to the Group.

STRENGTH AND STABILITY

The Group's Total Assets increased by 8% to Rs.446.34 bn during the year, with Non-Current and Current Assets expanding by 5% and 11% respectively. The expansion in Property, Plant and Equipment represents upgrades to research and manufacturing capabilities in the Hand Protection and Purification Sectors, establishment of a pipe manufacturing facility by the Agriculture Sector and geographical expansion of the Tea Exports Sector. The Group has sought to increasingly diversify its geographical presence, through pursuing investments in new geographical locations, thereby further widening its footprint, strengthening foreign exchange generation capabilities and enhancing the resilience of its operating model.

Total equity as at 31 March 2024 increased by 2% to Rs.125.53 bn, supported by profit generation and retention during the year. Total borrowings increased by 8% to Rs.171.88 bn, translating to a Debt-to-Equity ratio of 1.37 compared to 1.30 the previous year. Despite this increase, the Group's financial profile remains solid reflecting a prudent approach to debt-funded acquisitions in recent years, strong cash flow generation capabilities stemming from the Group's large and diversified businesses and relatively good debt coverage levels.

LOCAL ROOTS, GLOBAL MINDSET

With nearly 54% of the Group's Revenue generated through exports during the year, Hayleys continues to masterfully harness local capabilities, products, technology and talent to compete effectively in the global arena, offering the best of Sri Lanka to the world. For instance, the Purification Sector leverages the unparalleled capabilities of its local scientists and its prowess in R&D to develop world-

class supercapacitor products and hard carbons. The Hand Protection Sector introduced a range of advanced sports gloves, scientifically designed to suit the specific requirements of a range of sports activities including mountain biking, golf, winter sports and functional fitness among others. Meanwhile, tea produced in our estates are globally renowned for their quality and sustainability, consistently commanding premium pricing at the Colombo Tea Auction. Our value-added tea exports are skillfully curated by our local artisans to suit the taste palettes of our diverse, global customer base. Through this strategic blend of local authenticity and universal thinking, Hayleys has uniquely positioned itself as a global player in key verticals, supplying to the world's leading brands.

REDEFINING THE FUTURE

Accelerating customer-centric innovation is key to our strategic agenda as we seek to sharpen our competitive edge through focus on value-added solutions. In recent years, sustainability has assumed a greater relevance in our innovation drive and we have sought to adapt product capabilities and processes to shape futures that address key sustainability issues. During the year, we invested over Rs.500 mn across sectors in strengthening product development and innovation capabilities. Key success stories for the year include new product development in the Hand Protection Sector which includes high chemical resistance gloves and specialised sports gloves. In the Textiles Sector, the Group launched innovative fabrics featuring recyclable properties. In Construction Materials, Alumex PLC launched a range of aluminium balconies, decking and artificial walls catering to the export market. These innovations are discussed in further detail on page 275 of this Report.

The surge in generative artificial intelligence (AI) has ushered in a

new era of technological innovation, with rapid advances in machine learning algorithms enabling AI systems to generate content across various domains. While potential job displacement, privacy issues and ethical concerns have prompted many people and organisations to view GenAI through a lens of doubt and uncertainty, at Hayleys we see it as a catalyst for efficiencies, richer data insights and new business opportunities. The Group's digital transformation roadmap which will be rolled out shortly seeks to proactively embed AI and data capabilities across our operations to support value creation through enhanced decision-making.

OUR PEOPLE: OUR POWERHOUSE

Today, for the Hayleys Group, nothing is more important than our people, from our team, and customers to value chain partners and communities across the localities in which we operate. It is these partnerships that drive everything of value, including profits, agility, sustainability, innovation and efficiency. The Hayleys Group's resilience and prosperity is driven by our remarkable team of over 36,000 employees who have the integrity, high standards of professional excellence and capabilities to ensure the Group's ongoing success and value creation. The world of work continues to evolve and during the year, the Group's people strategy centered on creating long-term value through equipping them with stronger skills enabling greater employability, nurturing talent pipelines to enable improved succession planning and increasing diversity around decision-making. During the year, we also introduced several initiatives aimed at creating a family-friendly work environment which included paternity leave, childcare support and access to counselling services, which is anticipated to support employees in effectively balancing their professional and personal responsibilities.

RESPONSIBLE AND RESPONSIVE GOVERNANCE

The Group's demonstrated ability to repeatedly rebound from disruption is anchored by its fit-for-purpose governance frameworks which have supported the creation of an organisational mindset centering on agility and adaptable leadership. Governance structures facilitate strong alignment and engagement between the Board and the GMC; the latter convenes weekly facilitating ongoing collaboration and collective decision-making. During the year, the Board heightened focus on navigating the volatile external environment, strengthening risk management and strategic integration of ESG. Board capabilities and composition were strengthened during the year with the appointment of Mr. Timothy Speldewinde and Mr. Yohan Perera as Independent Non-Executive Directors and I am certain that the knowledge, skills and experience they bring will further enhance the depth and effectiveness of Board deliberations.

The Securities and Exchange Commission announced revisions to the Corporate Governance Rules applicable to entities listed on the Colombo Stock Exchange, issuing Listing Rule No.9 on Corporate Governance. The Rules came into effect from 1st October 2023 with a phased timeline for compliance extending till 1st January 2025 and the Group is fully compliant with the provisions required by 1st April 2024. Changes effected included the implementation of a Bribery and Anti-Corruption Policy (which mandates a zero-tolerance approach) and Shareholder and Investor Communications Policy, formulation of a Nominations and Governance Committee, actioning meetings between the Senior Independent Director (SID) and the Non-Executive Directors and improved disclosures in the Annual Report.

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

The Code of Best Practice on Corporate Governance (2023) by the Institute of Chartered Accountants of Sri Lanka was also revised during the year; key changes from the new Code include strengthening the assessment and management of ESG risks and opportunities, for which mechanisms are already in place within the Group.

ESG INTEGRATION: THE WORLD AS IT 'SHOULD' BE

The record-high temperatures and erratic weather we have experienced this year is a humbling reminder that the earth is a complex and fragile system and that nature is more powerful than all of us. As we look to the future, I believe we have a unique opportunity to define a new era for sustainable business leadership by making sustainability progress integral to business strategy and accelerating our interventions for greater impact.

The Group remains committed to achieving its target of driving a 30% reduction in Scope 1 & 2 GHG emissions by 2030, a target we are pursuing aggressively through transitioning to renewable energy sources, reducing reliance on fossil fuels and other decarbonisation activities. To date the Group has invested close to Rs. 5.00 bn in solar power generation across the Group, with a total generation capacity of nearly 28MW. Furthermore, as the market leader in solar power installation in Sri Lanka, Hayleys Fentons is driving the country's transition towards clean energy with total installations of solar power crossing 200 MW during the year.

Strategic efforts were made to strengthen the Group's ESG framework with the formation of Sector-level ESG Committees. Formed with Board representation, these committees are tasked with identifying, managing and mitigating Sector-specific ESG risks while driving the ESG roadmaps of the Sector aligned to the aspirations of the Hayleys Lifecode. Hayleys PLC along with 9 other companies within

the Group have committed to the 10 principles of the United Nations Global Compact. Hayleys has also been an endorser of the CEO Water Mandate since 2008. The progress made against the Group's other environmental, social and governance targets are given on page 100 of this Report.

STAYING THE COURSE: REVIEW OF BUSINESS VERTICALS

The Group's Revenue composition tilted towards the domestic market during the year, reflecting growth in the Consumer & Retail and Projects & Engineering segments as well as moderation in the export-oriented sectors due to the appreciation of the Sri Lankan Rupee. Resultantly, Revenue contribution from inland business increased to 46%, compared to 38% the previous year. Despite these short-term dynamics, the Group continued to pursue growth opportunities outside the country as it seeks to increase contributions from foreign exchange and drive geographical diversification.

The following sections provide a high-level overview of the performance of the Group's business sectors. Please refer to pages 114 to 245 for detailed Portfolio Reviews.

Purification

The Purification Sector delivered a commendable performance in a challenging year, sustaining customer relationships, widening its portfolio of value-added products and driving strategic interventions to improve the security and resilience of its supply chain. The appreciation of the Sri Lankan Rupee and a reduction in prices offered to customers resulted in the Sector's Revenue declining by 29% to Rs.42.74 Bn while Profit Before Tax declined by 26% to Rs 6.11 bn.

Key strategic priorities for the year included pursuing deeper penetration in key markets and ongoing emphasis on developing high-value energy storage carbon including hard carbon for sodium ion batteries. The Sector also strengthened its manufacturing

ECO SOLUTIONS

Strategic focus

Market expansion
Supply chain management
Strategic integration of ESG

Economic Value (Rs. mn)	3,250
PBT (Rs. mn)	68
No. of employees	1,119
Carbon footprint (tCo ₂ e)	5,522

HAND PROTECTION

Strategic focus

Focus on value-added products
Regional expansion
Strategic integration of ESG

Economic Value (Rs. mn)	13,889
PBT (Rs. mn)	4,013
No. of employees	2,171
Carbon footprint (tCo ₂ e)	25,735

PURIFICATION

Strategic focus

Value added products and innovation
Supply chain resilience and security
Strategic integration of ESG

Economic Value (Rs. mn)	17,462
PBT (Rs. mn)	6,107
No. of employees	1,933
Carbon footprint (tCo ₂ e)	26,696

TEXTILES

Strategic focus

Value added product focus
Brand centered strategy
ESG as a strategic differentiator

Economic Value (Rs. mn)	12,054
PBT (Rs. mn)	3,719
No. of employees	3,285
Carbon footprint (tCo ₂ e)	43,953





and R&D capabilities and engaged in proactive negotiations with raw material suppliers to optimise costs. In diversifying its raw material sources, the Sector's 7th manufacturing facility will be commissioned in the Philippines. During the year, the Sector also strengthened its commitment to embedding ESG through the launch of 'Activate' – a holistic ESG roadmap aligned to the Hayleys Lifecode. The outlook for the Sector remains positive, reflecting the global transition to a low-carbon economy which is driving demand for energy storage solutions as well as increasingly stringent water and pollution control regulations.

Projects & Engineering

The Sector, represented by Hayleys Fentons delivered an impressive performance during the year, with Profit Before Tax more than tripling to Rs. 4.33 bn and emerging as the 2nd largest contributor to the Group. The Sector's performance was driven largely by significant growth in the renewable energy cluster; strategic foresight in entering the residential solar segment and pursuing aggressive penetration through the deployment of a stronger sales force augured well for the Company, as it reaffirmed its position as the market leader in the rooftop solar PV segment. Profitability margins also improved during the year reflecting scale efficiencies in line with volume growth.

The acquisition of Fentons, a family-owned company with an operating history of over 100 years in 2016, marked the beginning of a remarkable transformation. The Group revitalised Fentons through a strategic overhaul which included new leadership capabilities, nurturing a performance-driven organisational culture and a growth mindset. These interventions have enabled the Sector to record a dramatic turnaround in performance while emerging as a vibrant entity with significant growth potential. Reflecting Hayleys Fentons' growing significance to the Group's profitability, it has been classified as a separate

Sector in this Report. We believe there is tremendous potential for renewable energy in the mid-to-long term given the government's aspirations to shift to a low-carbon economy and reach net by 2030.

Hand Protection

The performance of the Hand Protection Sector reflected the prevalent external pressures, with Revenue declining by 16% in view of the appreciation of the Sri Lankan Rupee and a marginal decline in volumes as global demand eased. Profitability margins were pressured by the increase in raw material and other cost escalations, resulting in the Sector's Profit Before Tax declining by 24% to Rs.4.01 bn during the year. The performance of the Sector's European operations were below expectations, reflecting subdued demand conditions from the region.

The Sector pursued penetration in to niche markets such as Middle East and Africa while India is also earmarked as a key market for growth. Innovation remains a strategic imperative and during the year, the Sector launched several exciting product propositions including a range of specialised sports gloves catering to leading international sports good retailers. With the launch of the Sector's ESG Roadmap, DPL Pulse, the Sector also intends to leverage ESG as a competitive edge to access new markets and customer segments. The medium to long-term outlook remains favourable given recovering demand conditions in key markets and the Sector's strategic interventions in strengthening product capabilities, particularly in specialised gloves.

Textiles

The strength of its relationships with Tier 1 brands together with strategic foresight in building agility, enabled the Textiles Sector to deliver impressive growth in a challenging year. While Revenue declined by 18% in view of the increased volatility in key markets and the resultant deferment of orders

CONSTRUCTION MATERIALS

Strategic focus

Export drive
Innovation and product development
Cost management and efficiencies

Economic Value (Rs. mn)	3,602
PBT (Rs. mn)	232
No. of employees	774
Carbon footprint (tCo ₂ e)	9,519

PLANTATIONS

Strategic focus

Regenerative agriculture
Quality focus
Transforming industry dynamics

Economic Value (Rs. mn)	13,717
PBT (Rs. mn)	3,525
No. of employees	15,360
Carbon footprint (tCo ₂ e)	26,122

AGRICULTURE

Strategic focus

Innovation
Diversification
Regional expansion

Economic Value (Rs. mn)	10,000
PBT (Rs. mn)	3,020
No. of employees	1,247
Carbon footprint (tCo ₂ e)	4,422

CONSUMER & RETAIL

Strategic focus

Proactive inventory management
Cost management and efficiencies
Customer centricity

Economic Value (Rs. mn)	25,591
PBT (Rs. mn)	611
No. of employees	3,316
Carbon footprint (tCo ₂ e)	9,293

LEISURE

Strategic focus

Strengthen product and service capabilities
Revenue diversification

Economic Value (Rs. mn)	3,773
PBT (Rs. mn)	(1,895)
No. of employees	1,660
Carbon footprint (tCo ₂ e)	12,744

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE



as well as increasing price pressure, the Sector's relentless pursuit of leaner and agile ways of working enabled it to considerably reduce lead time to customers, thereby sustaining customer relationships and maintaining orders. Meanwhile, ongoing and proactive negotiations with yarn suppliers and cost optimisations derived through a focus on sustainability enabled the Sector to widen its profit margins, resulting in the Sector's Profit Before Tax increasing by 23% to Rs.3.72 bn during the year.

With innovation-led growth remaining a key strategic pillar, the Sector has sought to pivot from basic, conventional cotton-based fabrics to premium, value-added products in both natural and synthetic fibres. The Sector's competitive edge is sharpened by its positioning as a pioneer and leader in sustainability in the industry, having gained international recognition for its sustainable product and process innovations. In a key achievement in its sustainability journey, the Company obtained verification of its emission targets under the Science Based Targets Initiative, one of the first Sri Lankan organisations to do so. As the industry landscape evolves rapidly, manufacturers will be required to build agile operating models which can swiftly adapt to changing market dynamics. The Sector's key priorities in the short-to-medium term include retention of Tier 1 customers, strengthening market share in synthetic fibre and increasing contributions from its portfolio of sustainable products.

Plantations

The Sector demonstrated resilience to numerous adversities including persistent labour shortages and intensifying implications of climate change to record volume growth during the year. Revenue increased by 13% to Rs. 18.13 bn reflecting the consolidation of Horana Plantations PLC to the Sector. Profitability, was however affected by the normalisation

of tea prices from the previous year's record highs, with prices falling by a near 18% (in Rupee terms) during the year. This coupled with escalating costs resulted in the Sector's Profit Before Tax declining by 34% to Rs. 3.53 bn.

During the year, the Sector's strategy was directed towards driving transformation in plantation management by creating social business enterprises through more equitable remuneration models and regenerative agriculture practices. As an industry leader in environmental sustainability, the Sector has in recent years sought to embrace regenerative agriculture practices aimed at revitalising ecosystems, soil conditions and crops. The short-to-medium term outlook of the country's tea industry remains somewhat uncertain reflecting labour challenges, declining yields and escalating cost of production. Against this backdrop, ongoing efforts to modernise and transform our estate operations, drive increased labour productivity and sustainable agriculture practices will position the Sector in good stead, enabling all three RPCs to maintain their position as the most profitable, sustainable and high-quality producers of tea in Sri Lanka.

Agriculture

The Agriculture Sector leveraged the diversity of its businesses and strength of its brands and relationships to remain resilient against external headwinds. Sector Revenue increased by 6% to Rs.34.88 bn during the year driven by the strong performance of the Crop Protection cluster and Overseas Operations. Profitability, however normalised from the record highs of last year, with the Sector's Profit Before Tax declining by 40% to Rs.3.02 bn during the year.

In Crop Protection, the Sector strengthened its product offering which swiftly gained traction to achieve market leadership status. Meanwhile, Overseas Operations (represented by Haychem Bangladesh)

INDUSTRY INPUTS, POWER & ENERGY

Strategic focus

Overseas expansion
Sustainable innovation
Strengthening digital capabilities

Economic Value (Rs. mn)	4,631
PBT (Rs. mn)	1,339
No. of employees	311
Carbon footprint (tCo ₂ e)	803

TRANSPORTATION & LOGISTICS

Strategic focus

Expansion of product and service portfolio
Regional expansion
Enhancing employee value proposition

Economic Value (Rs. mn)	26,003
PBT (Rs. mn)	3,671
No. of employees	2,899
Carbon footprint (tCo ₂ e)	45,863

PROJECTS & ENGINEERING

Strategic focus

Consolidate leadership position in solar
Expansion of product and service portfolio
Focus on quality assurance

Economic Value (Rs. mn)	9,586
PBT (Rs. mn)	4,333
No. of employees	1,492
Carbon footprint (tCo ₂ e)	1,432

TEA EXPORTS

Strategic focus

Innovation and product development
Regional expansion
Quality focus

Economic Value (Rs. mn)	1,480
PBT (Rs. mn)	824
No. of employees	312
Carbon footprint (tCo ₂ e)	384

OTHERS

Economic Value (Rs. mn)	12,023
PBT (Rs. mn)	2,380
No. of employees	387
Carbon footprint (tCo ₂ e)	592

was a key contributor to earnings, as it increased its market share and widened its product offering in new segments. During the year, the Sector entered a new market segment, through establishing a polyethylene pipe manufacturing facility thereby offering advanced irrigation solutions to Sri Lanka's Agriculture industry. Investments were also made in upgrading and revamping the coconut milk facility which was acquired in the previous year and commercial production commenced during the year. The outlook for Sri Lanka's Agriculture Sector is promising given its critical role in ensuring food security and supporting livelihoods. Consistent, conducive and evidence-based policy remains a key prerequisite in ensuring the sustainability of the industry and the livelihoods that depend on it. As a leading player in the industry, we will continue to support its long-term survival through propagating modern and sustainable agriculture practices across our ecosystem of farmers.

Transportation & Logistics

The Sector's performance reflects the multitude of challenges that prevailed during the year, including a decline in freight rates, appreciation of the Sri Lankan Rupee as well as volatile trade activity amidst escalating geopolitical tensions. Accordingly, Revenue declined by 32% to Rs.91.35 bn while Profit Before Tax also declined to Rs.3.67 bn from the record highs of Rs. 15.00 bn the previous year. Against this backdrop, the Sector's strategy reflected its efforts to consolidate operations while focusing on retaining relationships and building capabilities to drive future growth.

During the year, the Sector further refined its international expansion strategy, identifying the four markets of Bangladesh, India, Indonesia and Thailand as presenting the most significant opportunities for growth. The Sector intends to leverage its established relationships and market presence in these regions to offer a wider portfolio of services and

drive deeper penetration. In a key achievement during the year, the Sector (through the Travel & Aviation cluster) won a competitive bid for the General Sales Agency to represent Air India, the flag carrier airline of India.

The short-term outlook for the Sector is clouded by a degree of uncertainty given recent escalation in geopolitical tensions and regional conflicts. That said, Sri Lanka's port activity is poised for strong long-term growth, supported by the gradual recovery of the economy and policy thrust towards exports. The Sector's regional strategy, strong brand name and extensive customer and principal relationships has positioned Hayleys Advantis to effectively leverage upside potential, retaining its position as Sri Lanka's undisputed leader in transportation and logistics.

Industry Inputs, Power & Energy

The Sector delivered a Revenue growth of 12% to Rs.9.73 bn, led by the Industrial Inputs cluster which saw good growth in regional markets for industrial raw materials. However, demand for domestic and export-oriented industries remained subdued given the decline in consumer spending, particularly during the first half of the year. Overall the Sector's Profit Before Tax declined by 10% to Rs.1.34 bn during the year.

In Industrial Raw Materials, the Sector continued to widen its sustainability-linked product portfolio, given the increasing consciousness of environmental factors in industries. It also widened its portfolio of global principals, successfully obtaining the Agency for Avery Weigh-Tronix (UK). The performance of Lifesciences improved during the year, while the performance of Engineering Solutions was dampened by weak demand, reflecting liquidity constraints across the construction value chains.

Meanwhile, the Power & Energy cluster saw Revenue declining marginally, although Profit Before Tax increased

by 2% supported by favourable weather supporting power generation.

Tea exports

A new reporting segment that was constituted during the year, Tea Exports is represented by Mabroc Teas (Pvt) Ltd a leading value-added and bulk tea exporter and Martin Bauer Hayleys (Pvt) Ltd, an innovative manufacturer and exporter of Ceylon tea extract powders and tea aroma. The Sector demonstrated strong operational performance in a challenging year, with both Mabroc and Martin Bauer delivering volume growth through new customer acquisitions. Revenue, however, was impacted by the appreciation of the Sri Lankan Rupee which resulted in a 3% decline to Rs.12.20 bn. Sector profitability was further impacted by the relatively high cost of tea, amidst the low production volumes and escalating cost of production, which resulted in Sector Profit Before Tax declining by 41% to Rs.823.65 mn.

Mabroc maintained its position as the largest exporter of Sri Lankan tea to China, a market which is showing significant upside potential. The Company also pursued market expansion through an investment in a leading FMCG distributor in Poland while also establishing a fully-fledged tea export company in Mombasa-Kenya, thereby diversifying its supply chain. Meanwhile Martin Bauer strengthened its product capabilities to widen its portfolio of aroma and concentrations while leveraging the brand and market reach of the Martin Bauer Group to access new customers. The global demand dynamics for value-added tea and extracts remains favourable, although the short-to-medium term may be adversely impacted by complexities in the country's plantation sector. In navigating these challenges, the Sector will continue to focus on innovation and value-added offerings to sharpen its competitive edge while accessing new markets and diversifying its supply chains.

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

Construction Materials

Strategic foresight in pursuing growth in export markets augured well for the Sector during the year, enabling it to counter the subdued local demand. Export volumes increased by 21% during the year, which contributed towards an overall volume growth of 17% during the year. Revenue declined by 2% to Rs.9.94 bn as the Sector passed on the benefit of cost reductions to customers in order to ensure customer retention; overall profitability was however upheld by a significant reduction in finance costs and tax expenses resulting in the Company's Profit Before Tax increasing 51% to Rs.231.72 mn.

Growing exports was a strategic imperative during the year and the Sector pursued new customer acquisition in key markets in the USA and Europe. The Sector also broadened its product range with the addition of several value-added products catering to the export market as well as enhancing the do-it-yourself range and industrial solutions segment. The outlook for Alumex remains promising given the gradual recovery of Sri Lanka's construction sector and the anticipated revival of industrial and residential development projects. The Sector's priorities over the short-to-medium term include strengthening value-added product offerings and driving deeper penetration in key export markets, while maintaining its market leadership position in the domestic market.

Consumer & Retail

The Sector is dominated by Singer (Sri Lanka) PLC which experienced two distinctly different halves of the financial year; the first half characterised by import restrictions and weak purchasing power of customers, while the second half benefitted from the relaxation of import controls, the appreciation of the Sri Lankan Rupee and the gradual recovery of economic conditions. Improving market conditions towards the latter part of the year, together

with proactive efforts to clear high-cost inventory enabled the Sector to generate a Revenue growth of 28% to Rs.81.60 bn. However, narrower profit margins together with a higher tax expense resulted in the Sector's Profit Before Tax falling by 12% to Rs.611.29 mn.

Singer continued to evolve its product and brand offerings to cater to emerging customer needs. The Company also launched the 'Singer Premium Furniture' brand, the initial response for which has been very encouraging. Meanwhile, Singer was once again recognised as the People's Brand of the Year at the SLIM-KANTAR People's Awards 2024, attesting to its status as a household brand in the country. During the year, Singer (Sri Lanka) PLC also sought to amalgamate its subsidiaries other than Singer Finance, into one legal entity with the aim of streamlining processes and generating efficiencies. Accordingly listed entities of Regnis (Lanka) PLC, Singer Industries were delisted and amalgamated with the parent company, along with 3 other unlisted subsidiaries.

Singer Finance (Lanka) PLC continued to perform relatively well amidst challenging industry conditions. During the year, 2 branches were added bringing the total network to 52. The Company also maintained healthy portfolio quality, liquidity and capitalisation levels in comparison to industry peers. The Company emerged as a key contributor to Sector profitability generating a Profit Before Tax of Rs.652.40 mn during the year.

As market conditions gradually improve, we believe the outlook for the Sector is promising; Singer will place strategic emphasis on embedding customer centricity and delivering manufacturing and supply chain excellence through digitalisation with the aspirations of being a world-class brand. The rapid growth of the grey market for consumer electronics remains a key challenge in the short-

to-medium term; the increase in the VAT rate has provided further impetus for the grey market, as the increasing price disparity between legal and illicit products serve as an incentive for consumers to shift towards the grey market.

Eco Solutions

The Sector's performance weakened during the year, reflecting adverse macro-economic and market conditions. Despite a 28% growth in volumes the Sector's Revenue declined by 9% to Rs.13.85 bn due to unfavourable exchange rate dynamics. Meanwhile operating cost escalations amidst intense price competition eroded the Sector's profit margins, resulting in Profit Before Tax declining by 97% to Rs. 68 mn during the year.

In addressing these challenges, the Sector placed relentless focus on management and process efficiencies. The Sector also made considerable progress in its innovation drive with the launch of several new offerings in the growing media and value-added fibre products segment which present significant upside potential. Measures were taken to diversify raw material sources to build a more resilient supply chain, given the country's declining coconut production.

Long-term demand dynamics for the sector remain favourable particularly in categories such as growing media, erosion control and horticulture. The Sector will seek to aggressively pursue growth in new product applications and market segments while enhancing its value-added portfolio through innovation and product development.

Leisure

The Sector's performance strengthened in line with the recovery of the country's tourism sector with Revenue increasing by 35% to Rs.9.02 bn reflecting an overall improvement in average occupancy levels. Improvements in the core performance of The Kingsbury and the Sri Lankan Amaya properties resulted

in the reduction of losses at operating level; however, overall profitability continued to be hampered by the weak performance of Amaya Kuda Rah which was partially closed for repairs during the year.

The Sector's strategy in recent years has centered on sharpening its competitive advantage through mastering product delivery, which has allowed the properties to consistently record high customer ratings. The Kingsbury reaffirmed its position as the preferred venue for restaurants in the city, as evidenced by increased restaurant footfall. Sri Lanka's tourism sector is positioned for a surge in arrivals in 2024 and our properties are aptly positioned to capture the opportunities emerging from this revival. Key areas of focus include enhancing the corporate proposition at The Kingsbury, strengthening the service culture and enhancing the employee value proposition in order to drive increased retention.

Others

The Others Sector comprising Hayleys' Business International Solutions and Group Services of Hayleys PLC recorded a decline in Revenue to Rs.1.44 bn during the year. This, together with a 49% increase in tax expense resulted in the Sector's Profit Before Tax declining by 16% to Rs.2.38 bn during the year.

HBSI remained resilient during the year delivering a top line growth of 13%, supported by strong growth in the BPO operations, which benefited from increased penetration to Australia and a wider portfolio of services. The appreciation of the Sri Lankan Rupee, however, had an adverse impact on profitability which saw the cluster's Profit After Tax declining to Rs. 272.31 mn from 301.88 mn.

SHAREHOLDER VALUE

Despite a decline in the Earnings per Share to Rs.9.19 (From Rs.21.80 the previous year) the Group continued to deliver on its shareholder commitments, declaring an interim

dividend of Rs.5.35 in March 2024. The Hayleys share price increased from Rs.72.50 in April 2023 to close the year at Rs.82.10, an increase of 13% during the period.

EXPECTATIONS AND AMBITIONS

The short-to-medium term is likely to be shaped by a large number of simultaneous and converging challenges and while this drives uncertainty in the short-term, it also allows room for hope. The reality is businesses such as Hayleys operate in dynamic, rapidly evolving, global markets in which conditions are rarely stagnant for long and in parallel to global risks and generational challenges lie unique opportunities to strengthen the resilience of our institutions.

The International Monetary Fund estimates global growth to continue at the same pace with GDP expanding by 3.2% in 2024. Despite the multitude of challenges and monetary and fiscal tightening by many economies, global economic activity has been surprisingly resilient. While downside risks include implications of geopolitical tensions and sticky inflation, the global economy is expected to approach a soft landing over the medium-term. On the domestic front, we are optimistic that the Sri Lankan economy will continue to stabilise in 2024, supported by the revival in the tourism industry, stronger remittance flows and improvements in fiscal and external balances. Notwithstanding the outcome of the upcoming national elections, continued implementation of a strong and credible structural reform program is vital for ensuring long-term economic resilience and stability. We firmly believe this is essential to encourage private sector investment which is a vital prerequisite for growth. Furthermore, a stable exchange rate and conducive tax policies are critical in fuelling the growth of export-oriented businesses and encourage reinvestments. We further reiterate the critical importance of establishing a conducive operating landscape for exporters through establishing

tax policies that enable exporters to compete effectively with neighbouring counterparts, thereby generating much-needed foreign exchange to the country.

While we are likely to be faced with critical choices and opportunities which require our attention, the consequences of inaction are more serious than ever. The complexity of the challenges does not mean that they are insurmountable and as always, I reiterate my belief that optimism is critical for resilient and adaptable leadership and better outcomes, particularly in times of rapid change. We will continue to leverage the Group's unmatched human capital, product capabilities, brands and relationships to drive deeper penetration in selected markets. Strategically embedding ESG to derive a competitive advantage, access new markets and optimise resources while effectively addressing critical social and environmental issues we face as a society will also be a crucial priority in the next financial year.

APPRECIATION

As I reflect on the past year, I am inspired by the significant strides we have made together as a team and the exciting future we are building together. On behalf of the Board, I extend my heartfelt appreciation to each and every member of the Hayleys family, for their spirit, passion and resilience. I thank my colleagues on the Board and members of the Group Management Committee for their authentic leadership in navigating the Group through a challenging landscape. I also appreciate the confidence and trust of our shareholders, customers, suppliers and business partners who have partnered us in this journey.



Mohan Pandithage

Chairman and Chief Executive

17th May 2024

BOARD OF DIRECTORS



MR. MOHAN PANDITHAGE
Chairman & Chief Executive



SARATH GANEGODA
Executive Director



RAJITHA KARIYAWASAN
Executive Director



HARSHA CABRAL, PC
Independent Non-Executive Director



RUWAN WAIDYARATNE
Executive Director



HISHAM JAMALDEEN
Independent Non-Executive Director

DIVERSITY OF EXPERTISE



Finance and accounting	5
Legal	1
Logistics & shipping	2
Textile & Engineering	3
Banking	1
Agriculture	1
Hospitality	1
Corporate leadership	9



ARAVINDA PERERA

Independent Non-Executive Director



JAYANTHI DHARMASENA

Executive Director



ROHAN KARR

Executive Director



GAMINI GUNARATNE

Independent Non-Executive Director



TIMOTHY SPELDEWINDE

Independent Non-Executive Director




YOHAN PERERA

Independent Non-Executive Director

BOARD COMPOSITION

6 Executive Directors 

6 Independent/Non-Executive Directors 

COMMITTEES

Audit Committee 

Remuneration Committee 

Nomination Committee 

Related Party Transaction Review Committee 



BOARD OF DIRECTORS

MOHAN PANDITHAGE

Chairman and Chief Executive

Appointed as Chairman and Chief Executive in July 2009

Appointed to the Board in 1998

Skills and experience

An accomplished industry veteran and respected leader in the field of transportation and logistics, Mr. Pandithage has been honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. He was also presented with a Lifetime Achievement Award by the Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association in acknowledgement of his invaluable services to Sri Lanka's logistics industry. Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka.

He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

Other appointments

Executive Chairman of Haycarb PLC, Dipped Products PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Singer (Sri Lanka) PLC, Diesel and Motor Engineering PLC, The Kingsbury PLC, Hayleys Leisure PLC.

SARATH GANEGODA

Executive Director

Appointed to the Board in September 2009

Skills and experience

An accomplished corporate leader counting over 30 years of multi-faceted experience across diverse industries, Mr. Ganegoda has held several senior leadership positions in large private sector organisations in Sri Lanka and overseas. Having served the Hayleys Group between 1987 and 2002, he rejoined in 2007 and was appointed to the Group Management Committee the same year. He is currently responsible for the Strategic Business Development Unit and Group Information Technology of Hayleys PLC.

Mr. Ganegoda holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is a Fellow Member of CA Sri Lanka and a Member of the Institute of Certified Management Accountants of Australia.

Other appointments

Deputy Chairman of Alumex PLC, Director of Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC.

RAJITHA KARIYAWASAN

Executive Director

Appointed to the Board in June 2010

Skills and experience

Mr. Kariyawasan counts extensive leadership experience in the manufacturing sector, which includes over 14 years in the Hayleys Group.

He was appointed to the Group Management Committee in February 2010 and currently holds overall responsibility for the Purification Sector. Prior to joining Hayleys, Mr. Kariyawasan held the position of Director/ General Manager of Ansell Lanka (Pvt) Ltd. He has also served as the Chairman of the Manufacturing Association of the Export Processing Zone, Biyagama.

He holds a BSc. Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka and is a Fellow Member of the Chartered Institute of Management Accountants, UK. In addition, he is also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia.

Other appointments

Deputy Chairman of Dipped Products PLC and the Hayleys Group's Eco Solutions Sector.

Serves on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC) as the nominee Director of Hayleys PLC.

DR. HARSHA CABRAL, PC

Independent Non-Executive Director

Appointed to the Board in February 2011

Skills and experience

A President's Counsel of Sri Lanka and a renowned lawyer with an illustrious practice in the Commercial High Courts and the Supreme Courts of Sri Lanka, Dr. Cabral counts over thirty-seven (37) years' experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws and International Trade Law covering both civil and criminal aspects. He has been instrumental in drafting several key

legislations including the Arbitration Act, No. 11 of 1995, the current Companies Act No.7 of 2007 and the Intellectual Property Law.

Dr. Cabral served as a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is also a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM). Further, he was appointed to the Board of Management of the Post Graduate Institute of Management. He is a member of the Law Commission of Sri Lanka, and a Member of the Advisory Committee on Intellectual Property Law.

In addition to his extensive practice in courts, Dr. Cabral also plays an active role in nurturing the next generation of legal professionals through ongoing engagement as a senior visiting lecturer in several local and international universities. He has also published several books on corporate law, intellectual property law and corporate governance among others.

Dr. Cabral holds a Doctorate in Corporate Law from the University of Canberra, Australia. He is also a Fellow of the Institute of Chartered Governance Institute (UK & Ireland).

Other appointments

Chairman of the Tokyo Cement Group and Independent Non-Executive Director of several subsidiaries of the Tokyo Group, Chairman of National Savings Bank, Independent Non-Executive Director of DIMO

PLC, Alumex PLC, Ceylinco Life Insurance Company, World Export Centre Limited, Chevron Lubricants Lanka PLC, Darley Property Holdings (Private) Limited, CCC-ICLP International ADR Centre (Guarantee) Limited, Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, Nanadiriya (Guarantee) Limited (Chairman). Through these appointments he serves on several Audit Committees, Nominations and Governance Committees, Remuneration Committees, Recoveries Committees and Related Party Transactions Review Committees, chairing most of them.

RUWAN WAIDYARATNE

Executive Director

Appointed to the Board in April 2013

Skills and experience

Mr. Waidyaratne counts nearly 40 years of experience in the transportation and logistics industry, primarily in the Hayleys Advantis Group in which has held several senior leadership positions. He was appointed to the Hayleys Group Management Committee and Managing Director of the Hayleys Advantis Group in 2011. He is a former Chairman of the Ceylon Association of Shipping Agents (CASA) and the Sri Lanka Logistics and Freight Forwarders' Association (SLFFA).

He holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD. He is also a Chartered Member of the Chartered Institute of Logistics & Transport of Sri Lanka.

Other appointments

Vice President of the Sri Lanka- Japan Business Council

Executive Committee Member of the Council for Business with Britain

Council Member representing the Transport & Logistics Group at the Council of the Employers' Federation of Ceylon (EFC)

Chairman of the EDB Advisory Committee on Logistics Sector

HISHAM JAMALDEEN

Independent Non-Executive Director

Appointed to the Board in February 2014

Skills and experience

Mr. Jamaldeen is a finance professional with multi-industry experience in accounting, corporate finance, acquisitions and disposals, business planning and restructuring and strategic business development among others. His expertise has been enriched by both local and global exposure, which includes stints as Finance Director of Newbridge Capital Investments Limited in London, Freeman & Partners Accountancy Practice (UK) and Barclays Capital, a British multinational investment bank.

Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments, a boutique real estate advisory and consultancy firm. Serving both local and foreign clientele, his responsibilities include acquisitions, structuring debt financing and corporate structures. In 2020, Mr. Jamaldeen was recognised as a trailblazer and disruptor in the investments sector by Echelon for his contribution to the sector. He also formerly served as a Director of People's Bank, Atomic Energy Board and as a Member of the Interim Committee for Sri Lanka Cricket.

BOARD OF DIRECTORS

He holds a Degree in Engineering and Business from the University of Warwick and is a Fellow of the Association of Certified Chartered Accountants, UK.

Other appointments

Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, Non-Executive Director of Singer (Sri Lanka) PLC, Haycarb PLC and Talawakelle Tea Estates PLC.

ARAVINDA PERERA

Independent Non-Executive Director

Appointed to the Board in September 2016

Skills and experience

A veteran banker with over 40 years of diverse experience in financial services, Mr. Perera functioned as the Managing Director of Sampath Bank PLC from January 2012 until his retirement in September 2016. He also formerly served as Chairman of Siyapatha Finance PLC, Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He has been the recipient of several local and international awards including the "CEO Leadership Achievement Award 2016" by the Asian Banker Magazine, "Platinum Honours-2014 Award" by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University and "Award for the Outstanding Contribution to the Banking Industry - 2015" by the Association of Professional Bankers. He was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

Mr. Perera holds an MBA from the Postgraduate Institute of Management and Honours Degree in Mechanical

Engineering from the University of Moratuwa. He is also a Member of the Institute of Engineers (Sri Lanka), a Chartered Engineer and a Fellow of the Institute of Bankers- Sri Lanka.

Other appointments

Chairman of Singer Finance (Lanka) PLC and Pan Asia Banking Corporation PLC, Managing Director of Royal Ceramics Lanka PLC, Director of Rocell Bathware Ltd, SNAPS Residencies (Pvt) Ltd, & Kosgulana Hydro Company Ltd. In addition to chairing the Audit committee of Hayleys PLC, Mr. Perera serves as the Audit Committee Chairman of Hayleys Aventura (Private) Limited, Hayleys Advantis Limited and Hayleys Fentons Limited.

JAYANTHI DHARMASENA

Executive Director

Appointed to the Board in April 2018

Skills and experience

Ms.Dharmasena joined the Hayleys Agriculture Sector as a Management Accountant in 1991, rising to the rank of Managing Director of Hayleys Agriculture Holdings and its subsidiary companies and to the Group Management Committee in 2018.

Ms. Dharmasena is a Fellow Member of the Chartered Institute of Management Accountants, UK.

ROHAN KARR

Executive Director

Appointed to the Board in June 2019

Skills and experience

Mr. Kaar is a veteran in the hospitality industry, counting over 40 years' experience including senior leadership positions at leading hotels in Sri Lanka and UK. He currently serves as the Managing Director of The Kingsbury PLC and Hayleys Leisure PLC.

He previously served as Regional Director - Revenue Management of Marriott Hotels for Whitbread Hotel Company - UK and General Manager of Bristol Marriott Hotel - UK and Marriott Marble Arch - London UK. He was instrumental in driving the local hospitality industry forward through revitalising standards and establishing international best practices during his stint as Executive Vice President of John Keells Holdings, overlooking the Cinnamon City Hotels and Resorts chain and as Head of Brand Development for Cinnamon.

GAMINI GUNARATNE

Independent Non-Executive Director

Appointed to the Board in October 2019

Skills and experience

Mr. Gunaratne has held diverse leadership positions in both private and state sector organisations. He previously served as the Vice Chairman of the National Water Supply and Drainage Board.

Other appointments

Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo), Director of Dipped Products PLC, Horana Plantations PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Lanka Ceramic PLC, and SLIIT International (Pvt) Ltd.

TIMOTHY SPELDEWINDE

Independent Non-Executive Director

(Appointed in January 2024)

Skills and experience

Mr. Speldewinde is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK. He possesses wide experience in managing local as well as international facilities and has been an

integral member of the MAS Group for over 26 years. He served as the CEO of Stretchline Holdings headquartered in Hong Kong, with manufacturing facilities in Sri Lanka and overseas.

Other appointments

Director of Horana Plantations PLC, Wealth Trust Securities Limited, Contemporary Ceylon (Pvt) Ltd and Consultant to the Board of MAS Holdings (Pvt) Ltd.

Other appointments

Director of Haycarb PLC, Dipped Products PLC and E B Creasy & Company PLC. Has served as a Member of the Securities and Exchange Commission of Sri Lanka, Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and Member of the Governing Council of the Post Graduate Institute of Management of the University of Sri Jayawardenapura.

YOHAN PERERA

Independent Non-Executive Director

Appointed to the Board in April 2024

Skills and experience

Mr. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and a Fellow Member of the Chartered Institute of Management Accountants, UK. He served as the Managing Partner of KPMG Sri Lanka, while also serving on the KPMG Middle East & South Asia Board during his tenure as Managing Partner of the Firm. Prior to being appointed as Managing Partner, Mr. Perera functioned as the Head of HR, Risk Management Partner and Chief Operating Officer.

Mr. Perera counts over 40 years of experience in audits of conglomerates and listed companies with diversified business interests. He served as the President of the Institute of Chartered Accountants of Sri Lanka during the years 2006 and 2007. He also served as a Board Member of the Confederation of Asian and Pacific Accountants (CAPA), one of four regional organisations recognised by the International Federation of Accountants (IFAC).



GROUP MANAGEMENT COMMITTEE



ROSHAN RAJADURAI
Managing Director – Hayleys
Plantations



ROHAN GOONETILLEKE
Managing Director – Hayleys Fabric
Group



DARSHI TALPAHEWA
Head – Group Human Resources
& Legal



PRAMUK DEDIWELA
Managing Director – Alumex Group



NIRAN RANATUNGA
Managing Director – Mabroc Group



HASITH PREMATILLAKE
Managing Director – Fentons Group

The following Executive Directors are also represented in the Group Management Committee

MOHAN PANDITHAGE, SARATH GANEGODA, RAJITHA KARIYAWASAN, RUWAN WAIDYARATNE, JAYANTHI DHARMASENA, ROHAN KARR

Please refer profiles in Board of Directors



MALE FEMALE RATIO

15:2





MAHESH WIJewardENE
Managing Director – Singer Group



RAJEEVE GOONETILLEKE
Managing Director – Eco Solutions Group



WASABA JAYASEKERA
Managing Director – Industrial Inputs, Power & Energy and Hayleys Consumer

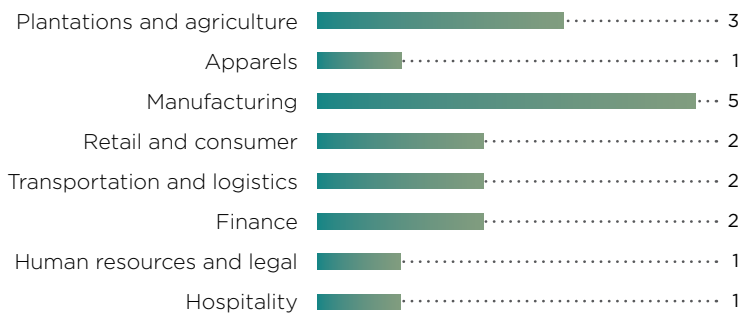


PUSHPIKA JANADHEERA
Managing Director – Hand Protection Group



MILINDA HEWAGAMA
Group Chief Financial Officer

DIVERSITY OF EXPERTISE



GROUP MANAGEMENT COMMITTEE

DR. ROSHAN RAJADURAI

Appointed to the GMC in January 2013

Skills and experience

An industry veteran with over 40 years of experience in the plantations sector, Dr. Rajadurai currently serves as the Managing Director of Hayleys Plantation Sector comprising Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. He joined the Hayleys Group in 2013, prior to which he held senior leadership positions in several leading plantation companies. He was also formerly the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka.

He holds a Ph.D in Management, B.Sc in Agriculture, MBA and M.Sc in Agriculture and Plantation Crops from the Postgraduate Institute of Agriculture and a M.Sc in Organisational Behaviour. He also holds a B.Sc Honors in Plantation Management.

Other appointments

Chairman of the Sustainability Working Group Serves on the Standing Committee on Agriculture of the University Grants Commission Serves as a Member of Public Expenditure Review Committee (PERC) in Ministry of Plantations.

ROHAN GOONETILLEKE

Appointed to the GMC in March 2013

Skills and experience

Mr. Eranga Rohan Peiris Goonetilleke has served as Managing Director/CEO of Hayleys Fabric PLC from 01st March 2013. He also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. Prior to joining Hayleys Fabric PLC, Mr. Goonetilleke served as Director of Brandix X'pressions (Pvt) Ltd, and was appointed to the Board of CLT Apparel (India) (Pvt) Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. He also served as the Managing Director/CEO of Textured Jersey Lanka (Pvt) Ltd, Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd and the CEO of Elpitiya Plantations Ltd.

He received his higher education in the United Kingdom, receiving a B.Sc in Engineering qualifying as a Graduate Engineer (B. Sc. Eng.).

DARSHI TALPAHEWA

Appointed to the GMC in November 2015

Skills and experience

A lawyer by profession, Ms. Talpahewa is responsible for the Human Resources and Legal Services of the Hayleys Group. Her diverse experience spans across government, non-government, academia, private and the corporate sector including the banking sector.

She holds a LL. B from the University of Colombo and Attorneys-At-Law with First Class Honours from Sri Lanka Law College. She also holds Master's Degrees in Human Resource Management from the University of Northampton, Master's Degree in International Relations and a Master's Degree in Law from the University of Colombo.

Other appointments

Non-Executive Director Singer Finance (Lanka) PLC

PRAMUK DEDIWELA

Appointed to the GMC in July 2018

Skills and experience

Mr. Dediwela is the Managing Director of the Alumex Group, at which he commenced his career in 1989. He has over 35 years of diverse experience within the Alumex Group covering the areas of Marketing and Sales, Material and Logistics, Finance, Manufacturing and Administration and Human Resources.

A marketer and financial economist, Mr. Dediwela holds a Master's in Financial Economics from the University of Colombo, MBA from the University of Southern Queensland, Postgraduate Diploma in Business and Financial Administration (CA Sri Lanka/Cranfield UK), Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK and Diploma in Management from the Open University of Sri Lanka.

Other appointments

Member of the Advisory Committees on Light Engineering sector & Metal Sector under EDB/Ministry of Industries.

Member of the Sri Lanka Economic Association.

Council Member of the Foundry Development & Services Institute of Sri Lanka.

NIRAN RANATUNGA

Appointed to the GMC in July 2018

Skills and experience

Mr. Ranatunga was appointed to the Group Management Committee in July 2018.

A founder of Mabroc Teas (Pvt) Ltd, Mr. Ranatunga held the position of Commercial Director with the responsibility for marketing bulk tea and branded teas in international markets, prior to his appointment as Managing Director in 2014. He commenced his career in tea tasting in 1980 serving as an auctioneer and tea broker at John Keells Ltd. He has received training in tea tasting and blending at UK's Lyons Tetley and R. Twinings & Co. Ltd. He spearheaded the initiative to launch the world's first ethical tea brand at the United Nations Global Compact.

Other appointments

Director of Hayleys Plantation Services (Pvt) Ltd.

Member of the Committee of Management of the Tea Exporters Association of Sri Lanka.

HASITH PREMATILLAKE

Appointed to the GMC in October 2018

Skills and experience

Mr. Prematillake serves as the Managing Director of Hayleys Fentons Limited and its subsidiaries. Prior to this, he was the Country Director and General Manager of Ansell Lanka (Pvt) Ltd and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka.

He holds a Master of Business Administration Degree (Merit pass) from the University of Colombo where he was awarded the prestigious Dr. Linus Silva Medal for Best Overall Performance. He also holds a B.Sc. Engineering Degree (Hon's.) from University of Moratuwa. He is a Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing, Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society. He is also a certified Lean Six Sigma Black Belt. He is also a Member of the Council of Chamber of Construction Industry Sri Lanka (CCISL).

MAHESH WIJewardene

Appointed to the GMC in November 2018

Skills and experience

Mr. Wijewardene serves as an Executive Director and Group Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies. He counts for over 30 years of managerial experience in diverse disciplines. He is a former Chairman of Ceylon Chamber of Commerce - import section and Sri Lanka - China Business Council

Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka and has attended Executive Business Studies at Harvard Business School - Boston & National University of Singapore.

Other appointments

Serves in the Executive Council of Sri Lanka Retailers' Association

Member of the International Chamber of Commerce - Policy Committee.

Director of Singer Finance (Lanka) PLC, Regnis Appliances (Private) Limited, Reality Lanka Limited and Equity Investments Lanka Limited.

RAJEEVE GOONETILEKE

Appointed to the GMC in September 2021

Skills and experience

Mr. Goonetilleke serves as the Managing Director of the Eco Solutions Sector. Prior to joining the Group, he served Brandix as the CEO of Brandix Apparel Solutions - Deep Discounter and Supply Chain Director of Glaxo Smithkline - Sri Lanka. He also functioned as the Country Head/ General Manager of MAS Fashionline in Vietnam.

He holds a B.Sc Engineering (Mechanical) from University of Moratuwa and a M.Eng - Industrial Engineering from Asian Institute of Technology - Thailand.

WASABA JAYASEKERA

Appointed to the GMC August 2021

Skills and experience

Mr. Jayasekera is the Managing Director of both Hayleys Aventura (Pvt) Ltd and Hayleys Consumer Products Limited. Mr. Jayasekera counts extensive international and domestic experience in the areas of Marketing and Sales, Trading, Finance and Controlling, Business restructuring and Management Information Systems.

He holds a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura and a Bachelor's Degree in Physical Science, from the University of Kelaniya. He is a fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Life Member of the Sri Lanka Institute of Marketing. He also holds a Diploma in Computer Systems & Design from the National Institute of Business Management (NIBM).

PUSHPIKA JANADHEERA

Appointed to the GMC in January 2023

Skills and experience

Mr. Janadheera is the Managing Director of Dipped Products PLC. Prior to his appointment in January 2023, he functioned as the Deputy Managing

Director of DPL. He has over 20 years' experience in the field of manufacturing of value-added rubber products and marketing of tyres, rubber gloves and other rubber related products, both locally and internationally. Mr. Janadheera holds an MBA and a B.Sc in Accountancy (Special) Degree from the University of Sri Jayewardenepura. He is a Fellow member of the Institute of Chartered Accountants (CA) of Sri Lanka, Associate member of the Chartered Institute of Management Accountants (CIMA) of UK, Associate member of Global Management Accountants (CGMA) of UK and Associate member of the National Institute of Accountants of Australia.

Other appointments

Council Member of the Institute of Chartered Accountants of Sri Lanka

Member of the Institute of Directors

Advisor to the Export Development Board and Ministry of Industries on Rubber, Rubber Based Products and Plastic Products Sector.

Board Member of the Polymer Advisory Committee of the Ministry of Industries.

MILINDA HEWAGAMA

Appointed to the GMC in January 2023

Skills and experience

Mr. Hewagama is a skilled finance professional with over 18 years of diverse experience in Financial Management, Reporting, Budgeting, Financial Planning & Analysis. He joined the Corporate Affairs Unit of Hayleys in 2010. He holds an MBA and BBA (Special) in Finance from the University of Colombo, and is a Member of the Institute of Chartered Accountants of Sri Lanka.

Other appointments

Director of Hayleys Group Services (Pvt) Ltd, Volanka Insurance Brokers (Pvt) Ltd, and Dean Foster (Pvt) Ltd. He is a Board Member of UN Global Compact Network Sri Lanka Board and a Member of Professional Accountants in Business (PAIB) Committee of CA Sri Lanka.

CORPORATE GOVERNANCE

BOARD COMPOSITION

- Appointment of two new Independent Non-Executive Directors, significantly strengthening the Board's skill profile

Skills added to the Board:

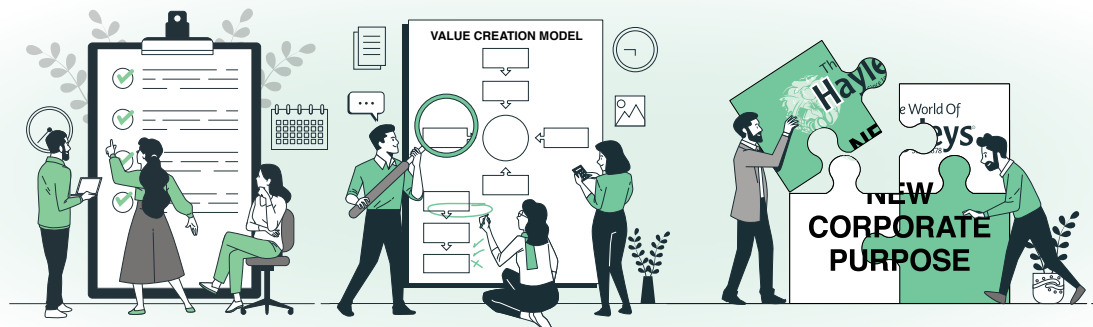
Corporate leadership, Finance and audit

ETHICAL LEADERSHIP

- Board approval of new Bribery and Anti-Corruption policy

RISK MANAGEMENT

- Introduction of Sector-level ESG risk assessments to identify and manage sustainability-related risks and opportunities
- Strengthened IT and cyber security management framework



STAKEHOLDER ENGAGEMENT

- Board approval of new Shareholders and Investor Communication Policy
- Year-round engagement calendar with diverse stakeholders

STRUCTURES AND DELEGATION

- Widened the scope of the Audit Committee to expand risk-management related responsibilities
- Revised the Terms of Reference for Nominations and Governance Committee
- Formulation of Sector-level ESG Committees
- SID meetings with Independent/Non-Executive Directors

APPROACH TO CORPORATE GOVERNANCE

The Group's Board of Directors have long since embraced governance principles designed to ensure the longevity and continued excellence of the organisation to drive multi-stakeholder value creation. This approach has enabled the Group to move beyond incremental growth and advance transformational change-leveraging the power of an enterprise-wide approach to corporate governance to deliver on our purpose.

Governance practices which support ethical and effective leadership

COMPOSITION	EFFECTIVE DELEGATION	BOARD ENGAGEMENT	POLICIES	RISK MANAGEMENT
<p>All Non-Executive Directors are Independent</p> <p>50% of all Directors are Non-Executive Directors</p>	<p>Clear lines of delegation to Committees, supported by Charters</p>	<p>Active engagement with business through Executive Director insights, common directors in subsidiaries, frequent meetings and ongoing knowledge sharing sessions</p>	<p>Comprehensive and robust policy framework approved by the Board of Directors</p>	<p>Enterprise risk management framework</p> <p>Combined assurance model</p> <p>Embedding identification of Sustainability-Risks and Opportunities to existing risk management processes</p>

GOVERNANCE FRAMEWORK

Hayleys subscribes to a Group-wide governance framework which reflects our commitment to comply with relevant legislations and regulations as well as voluntary frameworks and standards as set out below. During the year, the framework was strengthened to align with key changes in the governance landscape as set out alongside.

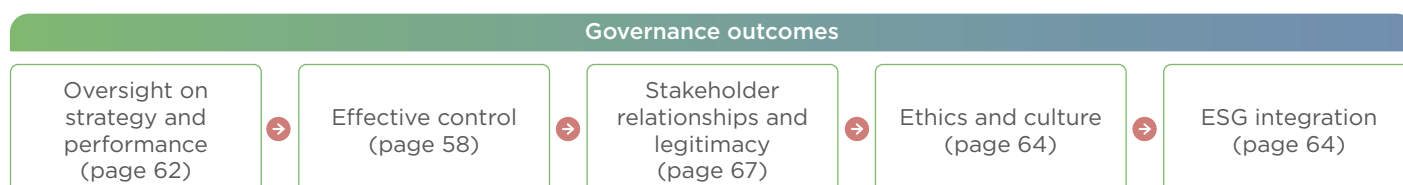
Developments in the governance landscape

- Enhanced corporate governance rules applicable to listed entities (Section 9)
- Issue of new Code of Best Practice on Corporate Governance by CA Sri Lanka (2023)
- Implementation of new Anti-Corruption Act No. 9 of 2023
- Issue of IFRS S1 and S2 sustainability reporting standards

 Regulatory frameworks	 Voluntary standards, codes and frameworks	 Internal mechanisms
<ul style="list-style-type: none"> • Companies Act No.7 of 2007 • Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 • Continued Listing Requirements of the Colombo Stock Exchange • Inland Revenue Act No. 10 of 2006 and amendments • Inland Revenue Act No. 24 of 2017 and amendments thereto • Customs Ordinance No. 17 of 1869 • Foreign Exchange Act No. 12 of 2017 • Industrial Disputes Act No. 43 of 1950 • The Shop and Office Employees Act No. 15 of 1954 • Factories Ordinance No. 45 of 1942 • Finance Business Act No.42 of 2011 and amendments thereto 	<ul style="list-style-type: none"> • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2023 • IFRS S1 and S2 Sustainability Reporting Standards • 10 principles of the United Nations Global Compact • Integrated Reporting Framework • Global Reporting Initiative Standards • Sustainability Accounting Standards Board (SASB) Disclosures • Non-Financial Reporting Guideline of CA Sri Lanka • Requirements of Environmental & Social Certifications • Quality standard certifications obtained by companies 	<ul style="list-style-type: none"> • Articles of Association • Board and Sub-Committee Charters • Hayleys Lifecode • The Hayleys Way • Policy framework

 Governance Principles	 Values	 Hayleys Lifecode Targets
<ul style="list-style-type: none"> • Structures and delegation • Strategic leadership • Controls and assurance • Responsible corporate citizenship 	<ul style="list-style-type: none"> • Honesty & integrity • Accountability • Yes, WE can • Love for humanity • Enduring customer value • Yes, we WILL WIN • Social responsibility as a good corporate citizen • Innovation 	<ul style="list-style-type: none"> • 100% compliance to relevant laws and regulations • Meaningful and impactful stakeholder relationships • Internal and external reporting on ESG factors • Holistic process to identify, measure and mitigate ESG risks • Full compliance to the Hayleys Way

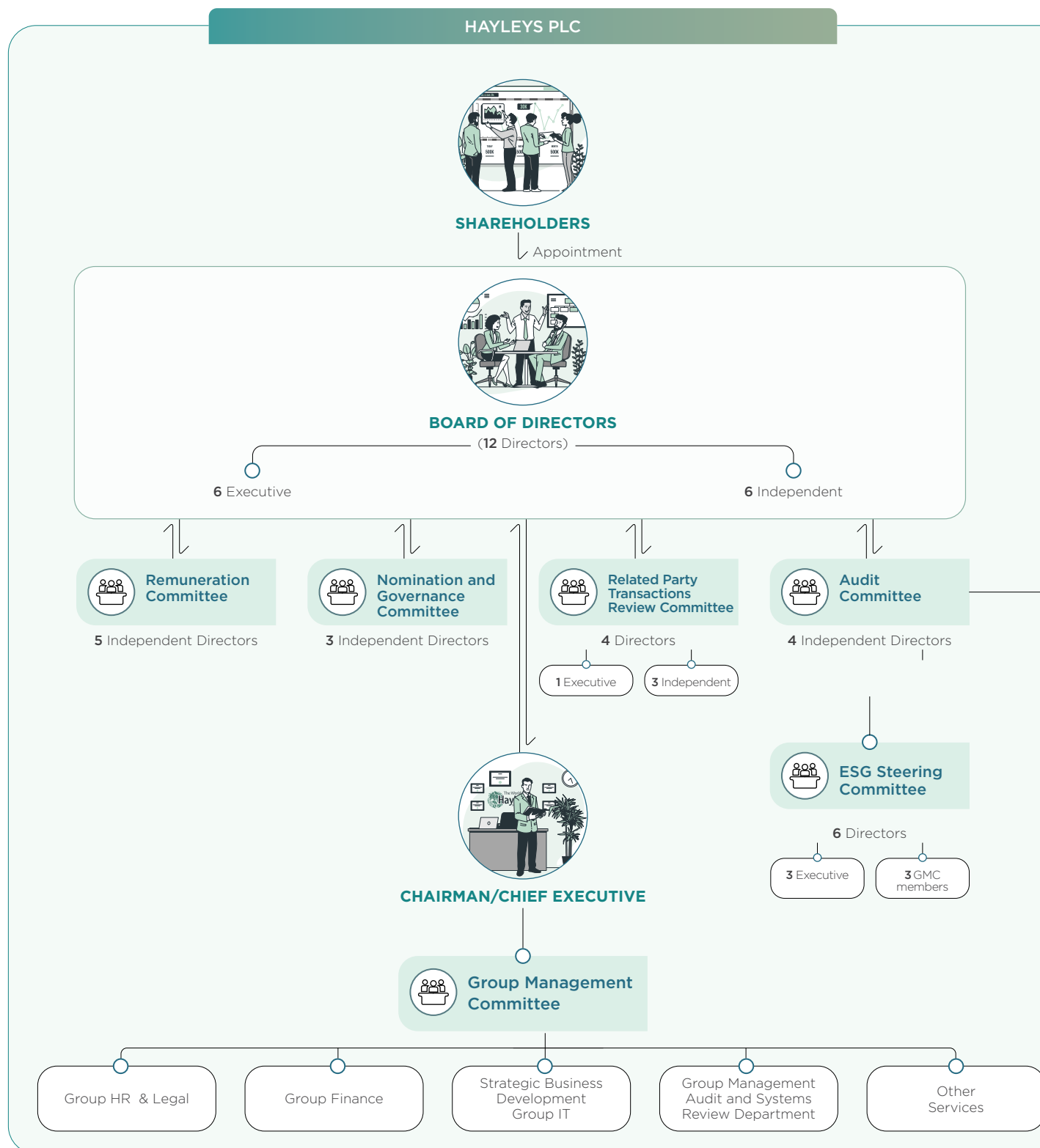
THE HAYLEYS WAY: ETHICAL ROADMAP FOR ALL EMPLOYEES



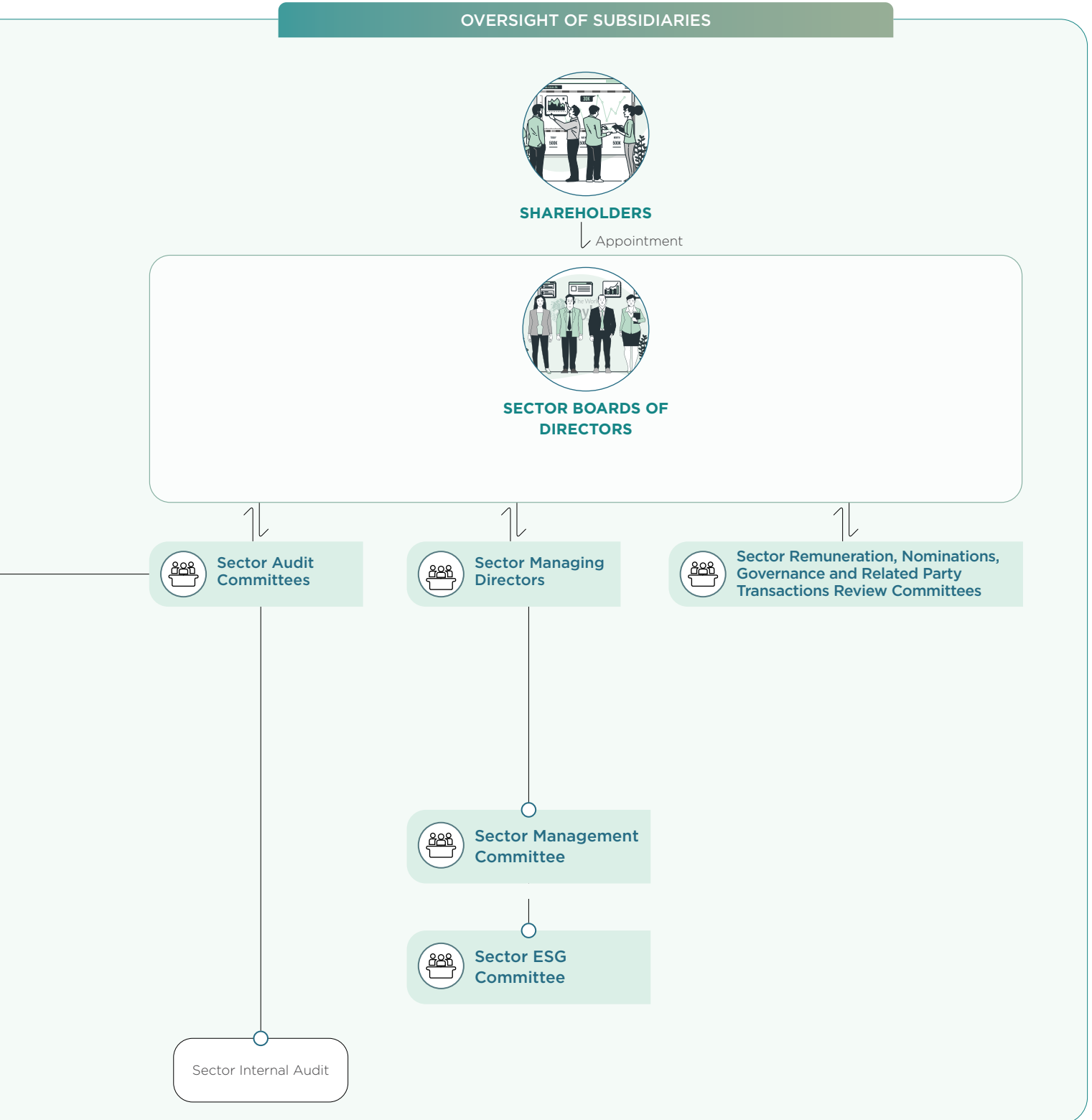
CORPORATE GOVERNANCE

STRUCTURES AND DELEGATION

The Group's governance structure has evolved over time to reflect the increasing diversity and depth of the Group's operations. As set out below, the Board of Hayleys PLC has line of sight to the Group's industrially and geographically diverse businesses. Arrangements



for delegation within the Board's structure assists in the effective discharge of duties while enabling balance of power and promoting independent judgement.



CORPORATE GOVERNANCE

BOARD SUB-COMMITTEES

The Group's governance structure and provisions for responsibility assignment strengthen independent judgement while providing opportunities to leverage director's expertise in specialised areas such as risk management, audit and sustainability. When determining committee composition, the Board considers relevant regulations, the skills and experience of its members and responsibilities of the Committee.

Audit Committee

(Refer pages 319 to 320 for Report of the Committee)

- Evaluating the integrity of the financial statements and adequacy of internal controls
- Review of the key risk exposures and measures in place to mitigate risks
- External audit
- Internal audit

% of committee members who are independent



Skill mix

- Finance
- Law and commercial arbitration
- Banking
- Corporate leadership

Relevance to value



Focus on strategic priorities

Portfolio optimisation/Customer centricity

Remuneration Committee

(Refer page 323 for Report of the Committee)

- Remuneration policy for Group with particular reference to Key Management Personnel
- Organisation structure
- HR Policy
- Goals and targets for Key Management Personnel
- Performance evaluation

% of committee members who are independent



Skill mix

- Finance
- Law and commercial arbitration
- Banking
- Corporate leadership

Relevance to value



Focus on strategic priorities

Nurturing inspired teams

Nominations and Governance Committee

(Refer pages 321 to 322 for Report of the Committee)

- Appointment of Key Management Personnel
- Establish and maintain a formal procedure for the appointment of new directors
- Succession planning
- Code of Ethics
- Effectiveness of the Board and its Sub-Committees

% of committee members who are independent



Skill mix

- Corporate leadership
- Law and commercial arbitration
- Banking
- Finance

Relevance to value



Focus on strategic priorities

Nurturing inspired teams

Related Party Transactions Review Committee

(Refer page 324 for Report of the Committee)

- Review of all proposed related party transactions of the Group
- Monitor that all related party transactions are transacted on normal commercial terms
- Oversight on disclosure of related party transactions

% of committee members who are independent



Skill mix

- Corporate leadership
- Law and commercial arbitration
- Banking
- Finance

Relevance to value



ESG Steering Committee

- Oversight and monitor the execution of the Hayleys Lifecode
- Review and provide guidance on ESG related policies and programmes
- Review emerging trends and issues in the ESG areas

Composition
3 Executive Directors
3 GMC Members



Skill mix

- Corporate leadership
- Business sustainability
- Human resource management
- Finance

Relevance to value



Focus on strategic priorities

ESG integration/Inclusive business models



Setting strategic direction



Ensuring integrity of financial controls



Shaping organisational culture



Identification and management of risks and opportunities



Stakeholder management and reporting

lawyer with an illustrious practice of over 37 years in the Commercial High Courts and the Supreme Courts of Sri Lanka. Key responsibilities of the SID are listed below and further details are available on the SID report on page 316 of this Annual Report.

- Set corporate values facilitating an equitable balance between key stakeholder interests
- Uphold high standards of ethics, integrity and probity
- Support executive leadership whilst monitoring their conduct
- Meet with NEDs at least twice a year and Independent Directors at least once a year to facilitate discussion and communication of governance matters and communicate same to Chairman
- Be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors
- Act on the results of any performance evaluation of the Chairman
- Maintain sufficient contact with major, significant and minority shareholders, assisting the Board to develop a balanced understanding of their issues

BALANCE OF POWER

The Board ensures that delegation within its structures and mandates ensuring that balance of power is maintained while promoting independent judgement. The roles and responsibilities of the Board of Directors are clearly set out in the Board Charter and summarised below:

- Ensure formulation and implementation of business strategy
- Appointment of Chairman, Co-Chairman and Senior Independent Director
- Ensuring that Key Management Personnel have the required skills, experience and knowledge to implement strategy
- Succession planning
- Approval of budgets and major capital expenditure
- Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management
- Ensuring compliance with all laws, regulations and ethical requirements

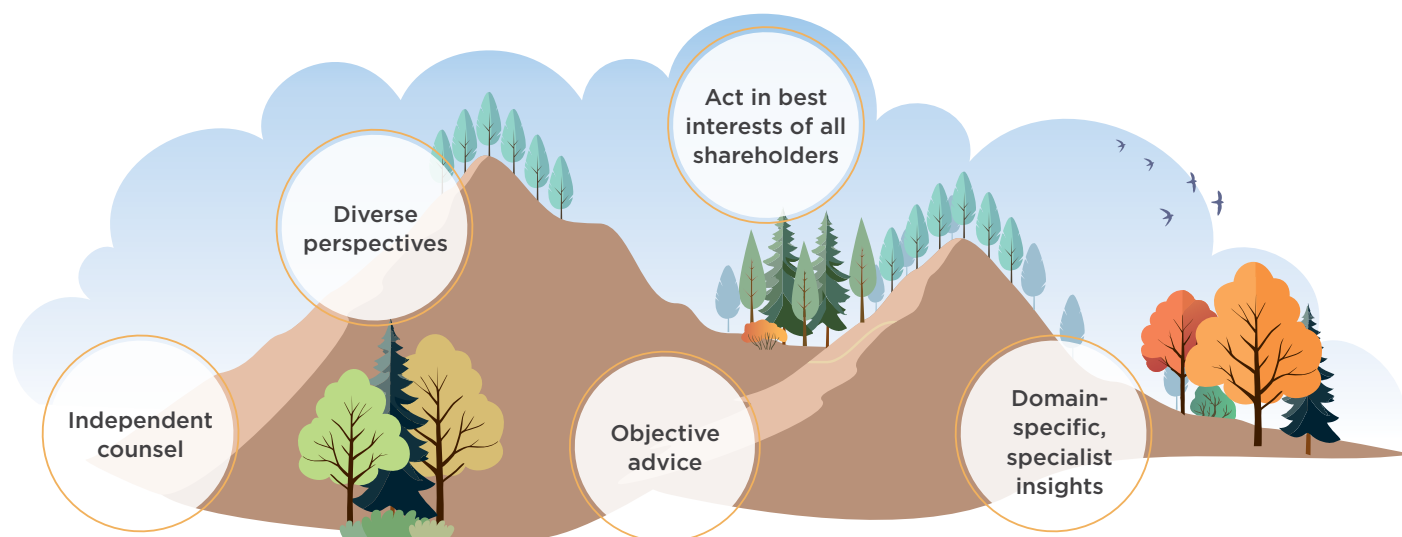
- Ensuring that key stakeholder interests are considered in corporate decisions
- Ensuring that businesses are developed in a sustainable manner and adoption of integrated reporting framework
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Establishing a process for monitoring and evaluation of progress on implementation of strategy, budgets, plans and risks

The functions of Chairman and Chief Executive are vested in one person due to the diversity and scale of operations of the Group and the Board is of the view that this is the most appropriate arrangement for Hayleys PLC.

Senior Independent Director (SID)

The Board has also appointed Dr H Cabral, PC Non- Executive Director as Senior Independent Director to facilitate board balance and ensure effective engagement with Non-Executive Directors. The appointed SID is a President's Counsel and renowned

CORPORATE GOVERNANCE



THE GROUP MANAGEMENT COMMITTEE (GMC)

The Hayleys Group Management Committee is the apex management committee of the Group. It is chaired by the Chairman & Chief Executive and includes the Group's Executive Directors, Sector Heads, Group Chief Financial Officer and Head of Group Human Resources. The GMC contributes towards effective governance through weekly meetings deliberating on,

- Sector-level developments including trends in the operating environment, monthly performance updates and other matters
- Updates from Hayleys PLC center functions including HR, Treasury, Corporate Communications, Group Tax, Strategic Business Development, IT, Freight management, procurement, Group finance and Group ESG
- Any emerging developments which are pertinent to the Group's performance

THE COMPANY SECRETARY

Company secretarial services are provided by Hayleys Group Services (Pvt) Ltd., who are competent

secretarial professionals registered as company secretaries with the Registrar of Companies. The role of the Company Secretary has been defined in line with the provisions set out in the Code and include the following:

- Facilitating the efficient conduct of Board meetings and ensuring that all proceedings of meetings are properly minuted
- Ensuring that all Board Committees are properly constituted and provided with clear terms of reference
- Ensuring that an Annual General Meeting is held in line with regulatory requirements and that all notices, forms and reports necessary for the meeting are disseminated with approval of the Board
- Maintaining the registers required by regulations and filing of all statutory returns and documents with the Registrar of Companies
- Advising Directors with respect to their duties and responsibilities in compliance with regulatory requirements
- Ensuring good relationships with shareholders

- Making necessary disclosures on related parties and related party transactions

POLICY FRAMEWORK

The Group's comprehensive policy framework (listed below) facilitates the creation of an effective control environment and supports effective delivery of strategy. Policies are reviewed and revised annually to ensure relevance in evolving operating conditions. In aligning with the recent revisions to the CSE Listing Rules the Group introduced several new policies (listed alongside)

How we strengthened the policy framework during the year

- Introduced new Bribery and Anti-Corruption Policy (Weblink: Hayleys Bribery and Anti-corruption Policy (fliphhtml5.com))
 - Introduced Shareholder and Investor Communications Policy (Weblink: Shareholder and Investor Communications Policy - Hayleys PLC)
- Policies required by the CSE listing rules are on the corporate website of Hayleys PLC. All policies will be in place by October 2024

POLICY ARCHITECTURE

Environment		Social	Governance
<ul style="list-style-type: none"> Material and waste management policy Energy and emissions management policy Water management policy Biodiversity conservation policy Chemical management policy 	HR-related policies	<ul style="list-style-type: none"> Industrial Relations policy Disciplinary policy Grievance handling policy Recruitment policy Learning & Development policy Talent Management and Succession Planning policy Performance Management Policy Human Rights Policy Whistleblower Policy Anti-Sexual Harassment policy Health and Safety Policy 	<ul style="list-style-type: none"> Board Charter Board Committee Charters Stakeholder Engagement Information Disclosure Policies Bribery and Anti-Corruption Policy Shareholder and Investor Communications Policy IT policy Intellectual Capital Policy Information Security policy Business data back-up policy Internal Code of Business Conduct and Ethics
	Social & Relationship Capital	<ul style="list-style-type: none"> Customer Management Policy Procurement Policy CSR Policy 	

* Reviewed and revised during the year

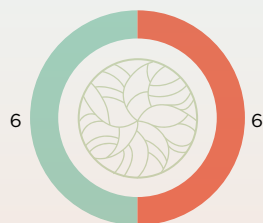
STRATEGIC LEADERSHIP

Board composition

The Board consists of comprising 6 Executive Directors and 6 Non-Executive Directors. The size and skill composition of the Board is influenced by the demands of our diverse and complex business landscapes. An appropriate mix of skills, knowledge and experience ensures that the Board is collectively equipped to drive the Group's strategy and value creation (refer to pages 44 to 47 for detailed profiles of Directors)

Board composition

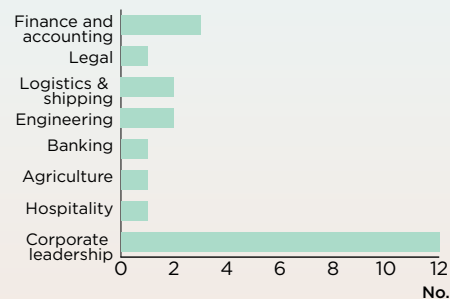
50% of the Board comprises Independent Non-Executive Directors, thereby enriching discussions and bringing objective judgement to Board decisions



■ Executive Directors
■ Independent Non-Executive Directors

Skill composition

BOARD SKILL PROFILE



Gender diversity



Diversity of age

56.5 years

Average age

With 33% of Directors below the age of 60, the Board is diverse in its age representation, thereby combining both experience and fresh perspective

Diversity of tenure

Years of service	Number of Directors
< 3	2
3-5	2
5-9	1
>9	7

Periodic introduction of new members bringing in new perspectives and skills, while continuity and valuable industry expertise is retained through long-standing Directors.

CORPORATE GOVERNANCE

Changes to Board: During the period under review Mr. Timothy Speldewinde was appointed as an Independent Non-Executive Director (refer page 46 for profile). Meanwhile, Mr. Yohan Perera (refer page 47 for profile) was also appointed as an Independent Non-Executive Director on the 1st of April 2024. Following Mr. Perera's appointment, the Board now comprises 50% of Independent Non-Executive Directors.

Fit & Proper Assessment : The Group's fit and proper assessment for Directors is in line with the guidelines set out in the Listing Rules and include criteria on honesty, integrity and reputation, competence and capability and financial soundness. The Chairman and Directors satisfied the fit and proper assessment criteria stipulated in the Listing Rules of the CSE.

APPOINTMENTS TO THE BOARD

Board appointments follow a formal and transparent manner, as determined by the Nominations and Governance Committee, which assesses the Group's strategic demands as well as diversity, skills and competencies of the Board. The Board considers the recommendations of the Nominations and Governance Committee and recommends suitable candidates for appointment or re-election by the shareholders at the Annual General Meeting under the advisement of the Nomination and Governance Committee.

Board induction and training

Directors are kept updated on relevant developments through formal sessions, distributing of reading materials and deep dives into specific aspects. Directors are also encouraged to attend sessions conducted by the Sri Lanka Institute of Directors. Many

How we strengthened the policy framework during the year

- 1/3rd of Directors in office retire at each AGM by rotation, with the directors who have served for the longest period since their appointment/re-appointment retiring first
- Retiring Directors are eligible for re-election
- The Board can appoint directors to fill any casual vacancies that may arise during the year and such directors can hold office until the next AGM and seek election by the shareholders

of the Directors also conform to the Continuing Professional Development requirements of the respective professional organisations. During the year, director training was provided on,

- Developments in regulations including the new Bribery and Anti-Corruption Act and new Listing Rules of the CSE

Board appraisal

The Board evaluates its performance and that of its committees on an annual basis. Areas of assessment include appropriateness of the Board composition, mix of skills and ability to deliver strategic aspirations. The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are submitted to the Chairman for discussion at a Board Meeting

The Group is in the process of strengthening its Board appraisal mechanisms in line with the guidelines recommended by the new Code.

THE BOARD IN ACTION

The Board assumes apex responsibility for the Group's continued success and provides oversight on the value creation process aligned with emerging external developments and the Group's strategic aspirations. Ethical and responsible leadership is applied in directing the Group to achieve sustainable growth while preserving stakeholder interests. The Board engages with the business through the following structures and mechanisms

Board meetings

Board meetings are scheduled early and duly informed to the Directors at the beginning of each calendar year. During the year, the Board convened 12 times while 1 special meeting was also held to discuss the corporate plan for 2024/25. Clear guidelines and processes are defined and communicated to ensure effectiveness of Board meetings.

Board engagement with the business

- 5 Independent Directors serve on Board subcommittees, obtaining deeper insights on specific matters
- The 6 Executive Directors represent key sectors and Hayleys PLC center functions
- One Executive Director serves as the Chairman and Chief Executive
- Access to deeper insights at Sector level through common directors
- Regular monitoring of performance at monthly Board meetings
- Special meetings as and when required

Assessment questionnaires	Review of responses	Formulation of response
<ul style="list-style-type: none"> Strategies developed and implemented Compliance with laws and regulations Quality of participation at meetings Effectiveness of systems and processes 	<ul style="list-style-type: none"> Review of responses by the Chairman Report feedback to the Board of Directors 	<ul style="list-style-type: none"> Implementation of remedial measures for improvement

Attendance at Board and Committee meetings

Directors	Board	Audit Committee	Remuneration Committee	Nominations & Governance Committee	Related Party Transactions Review Committee
Mr. A. M. Pandithage	13/13	-	-	7/7	-
Mr. H. S. R. Kariyawasan	12/13	-	-	-	-
Mr. S. C. Ganegoda	13/13	-	-	-	3/4
Dr. H. Cabral PC	13/13	4/4	2/2	11/11	4/4
Mr. M. H. Jamaldeen	12/13	2/4	2/2	-	-
Mr. M. Y. A. Perera	12/13	4/4	2/2	11/11	4/4
Mr. L. R. V. Waidyaratne	13/13	-	-	-	-
Ms. J. Dharmasena	13/13	-	-	-	-
Mr. R. J. Karunarahaj	13/13	-	-	-	-
Mr. K. D. G. Gunaratne	13/13	4/4	2/2	4/4	-
Mr. T. A. B. Speldewinde (appointed on 3rd January 2024)	5/5	-	1/1	1/1	-
Mr. P. Y. S. Perera (appointed on 1st April 2024)	2/2	-	-	-	-

The total number of Board seats (excluding directorships in the Hayleys Group) held by each director as at 31st March 2024

Directors	No. of Board seats - Listed Companies		No. of Board seats - Unlisted Companies	
	Executive	Non-Executive	Executive	Non-Executive
Mr. A. M. Pandithage	-	1	-	9
Mr. H. S. R. Kariyawasan	-	-	-	1
Mr. S. C. Ganegoda	-	-	-	-
Dr. H. Cabral PC	-	3	-	11
Mr. M. H. Jamaldeen	2	-	33	4
Mr. M. Y. A. Perera	1	-	1	2
Mr. L. R. V. Waidyaratne	-	-	-	1
Ms. J. Dharmasena	-	-	-	-
Mr. R. J. Karunarahaj	-	-	-	2
Mr. K. D. G. Gunaratne	-	4	-	2
Mr. T. A. B. Speldewinde (appointed on 3rd January 2024)	-	-	-	2
Mr. P. Y. S. Perera (appointed on 1st April 2024)	-	1	-	-

CORPORATE GOVERNANCE

KEY AREAS OF FOCUS IN 2023/24

During the year, the following areas received heightened focus from the Board, reflecting both internal priorities and external developments in the operating landscape. Discussion areas are summarised in the following table and described in further detail in the Portfolio Review (page 114 to 245) and Capital Management Reports (page 248 to 287) of this Report.

Directors	Board	Audit Committee
Monitoring strategy execution and delivery of performance		
The Board monitored the execution of key strategic deliverables which included impact of external factors, entry into new markets, investments in new product capabilities, acquisitions and people-related initiatives among others. The Group's 6 Executive Directors, representing key business verticals play a vital role in this process, contributing their domain specific knowledge and deep industry insights.	Building resilience through portfolio optimisation Nurturing an inspired team Customer centricity	
Navigating the volatile external environment		
The Board considered the impact of global geopolitical tensions, monetary and fiscal policy, local political developments and other external drivers on strategy, business continuity and performance	Building resilience through portfolio optimisation	
Digital transformation		
The Board explored opportunities and risks stemming from emerging developments in digitalisation and technology, including AI, blockchain and robotics among others	Building resilience through portfolio optimisation Customer centricity	
Ethics and culture		
The Board considered the direct and indirect impact of the Group's operations on the economy, society and the environment while setting the tone at the top on how ethical behaviour should be propagated	Inclusive business models Integrating ESG	
ESG integration		
The Board sought to strategically integrated ESG considerations into strategy, processes, decision-making and organisational culture	Integrated ESG	

STRATEGY AND PERFORMANCE MONITORING

The Board formulates and steers the Group's strategic direction, ensuring that specific areas of governance oversight are identified and addressed. The Board also approves policies and material processes which support the delivery of the Group's strategy while overseeing and monitoring management's implementation and execution of strategy.

Information shared with Board on a regular basis	Board deliberations in 2023/24
<ul style="list-style-type: none"> Matters relating to the external environment including political, macro-economic and social matters Updates on the delivery of key projects Performance against financial and operational targets and metrics People-related developments including changes in headcount, health and safety and engagement initiatives Key risk exposures Developments in the competitive landscape Legal, regulatory and compliance matters across the Group 	<ul style="list-style-type: none"> Overseeing the Group's strategic direction and approval of Annual Corporate Plan and budgets Approving the annual, interim and quarterly financial results and stakeholder communications Approval of major capex projects and acquisitions Reviewing and evaluating the Group's risk exposures and scorings Ensuring that appropriate governance structures, policies and procedures are in place

DIGITAL TRANSFORMATION AND IT GOVERNANCE

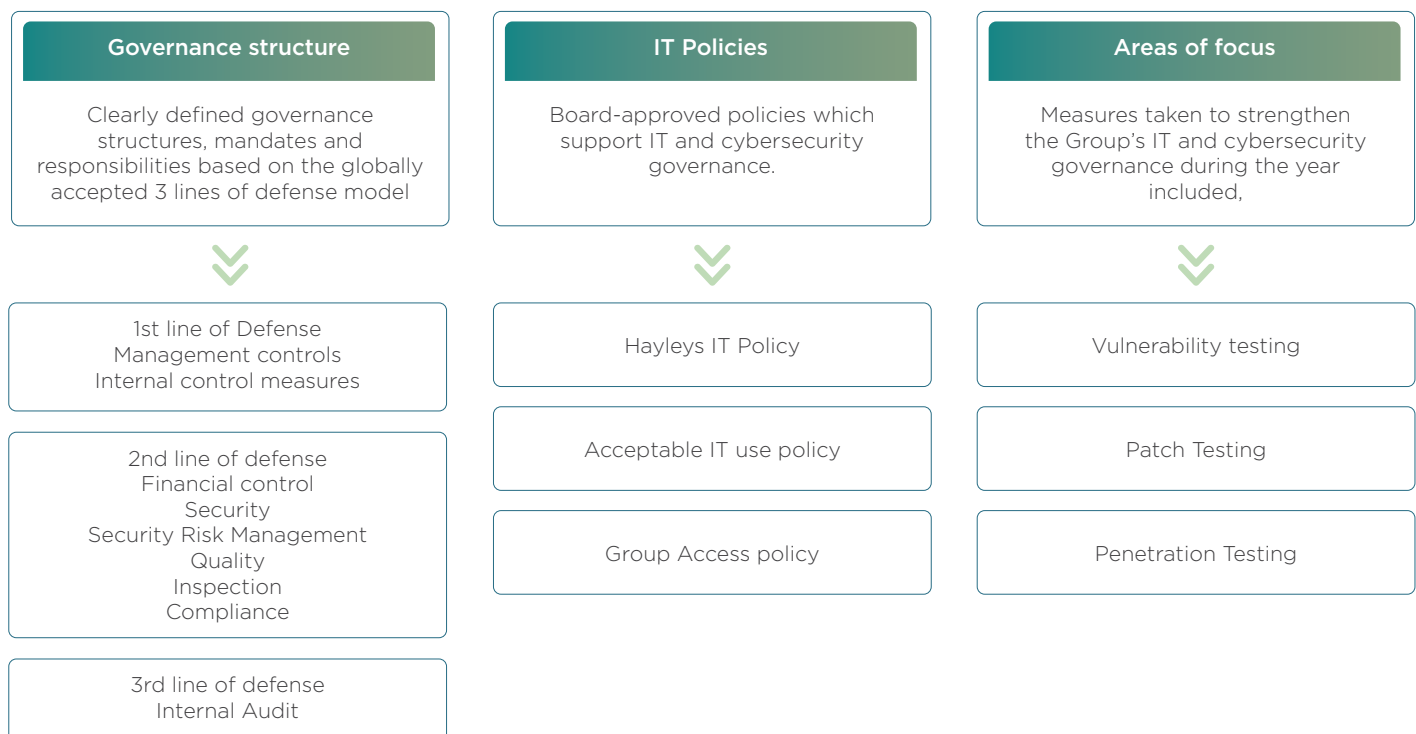
Technology-driven transformation is a key medium-to-long priority of the Group and key areas of focus included evaluating the potential opportunities and risks of disruption presented by technology and building effective, secure and agile infrastructure. The Board holds apex responsibility for governing technology and information and during the year, continued emphasis was placed on embedding ICT governance standards across the Group. The Head of Group IT Services, supported by specialised resources across the Group supports the Board in discharging its IT-related duties and providing oversight on the management of technology assets. During the year, the Group also recruited a Head of Digital Transformation who holds responsibility for formulating and driving the Group's digital roadmap.

Digital transformation roadmap



The Group's approach to IT and cybersecurity management includes suitable governance structures, policies and processes as is given below:

IT GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE

ESG INTEGRATION

As an organisation with deep-rooted connections across communities, value chains and businesses that are closely linked to the natural environment, we are acutely aware of the interdependencies that exist between our commercial, social and environmental performance. The strategic integration of ESG remains a key priority for the Group, and its approach for doing so is summarised below and detailed further in 102 of this Annual Report.



Align purpose, governance and strategy



Set targets and measure performance planet



Embed ESG in practice



Transparency and engagement

ESG Governance: The Board holds overall responsibility of formulating the Group's aspirations, strategies and policies relating to ESG and sustainable development. The Group ESG Steering Committee (comprising 3 Executive Directors and 3 GMC members) assists the Board in the discharge of its ESG-related duties. The mandate of the ESG Steering Committee includes,

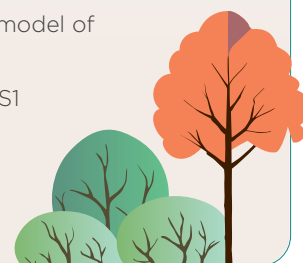
- Provide oversight and monitor the execution of the Group's ESG Framework-Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term
- Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics.

- Review and provide guidance on ESG related policies and programmes required to drive the Group's ESG Framework and strategy.
- Review and approve the Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Group.

Group ESG Division: The Group ESG Division is responsible for the day-to-day implementation of the Hayleys Lifecode across the Group and ensuring that the metrics required to assess progress are reliable. The Group ESG Division is supported by

Actions taken to strengthen ESG oversight during the year included,

- **Governance:** Establishment of Sector-level ESG Committees, with defined mandates aligned with the Group ESG Steering Committee
- **Strategy:** 4 key sectors launched their ESG Roadmaps during the year, clearly setting out targets, action plans and deliverables to be achieved by 2030 along with annual deliverables
- **Risk Management:** Integration of ESG risk management processes to existing business risk processes, with ultimate oversight by the Audit Committee
- **Data integrity:** Strengthened combined assurance model of ESG metrics and reporting
- **Reporting:** Voluntary, early adoption of the SLFRS S1 and S2 Sustainability Reporting Standards
- **Culture building:** Group-wide training and awareness programmes on emerging ESG risks and opportunities



Lifecode Champions in each sector who coordinates with the Centre and serve as a contact point for the Group ESG Division. Regular meetings are conducted by Group ESG to ensure that there is clear understanding about the objectives and progress made

ETHICS AND CULTURE

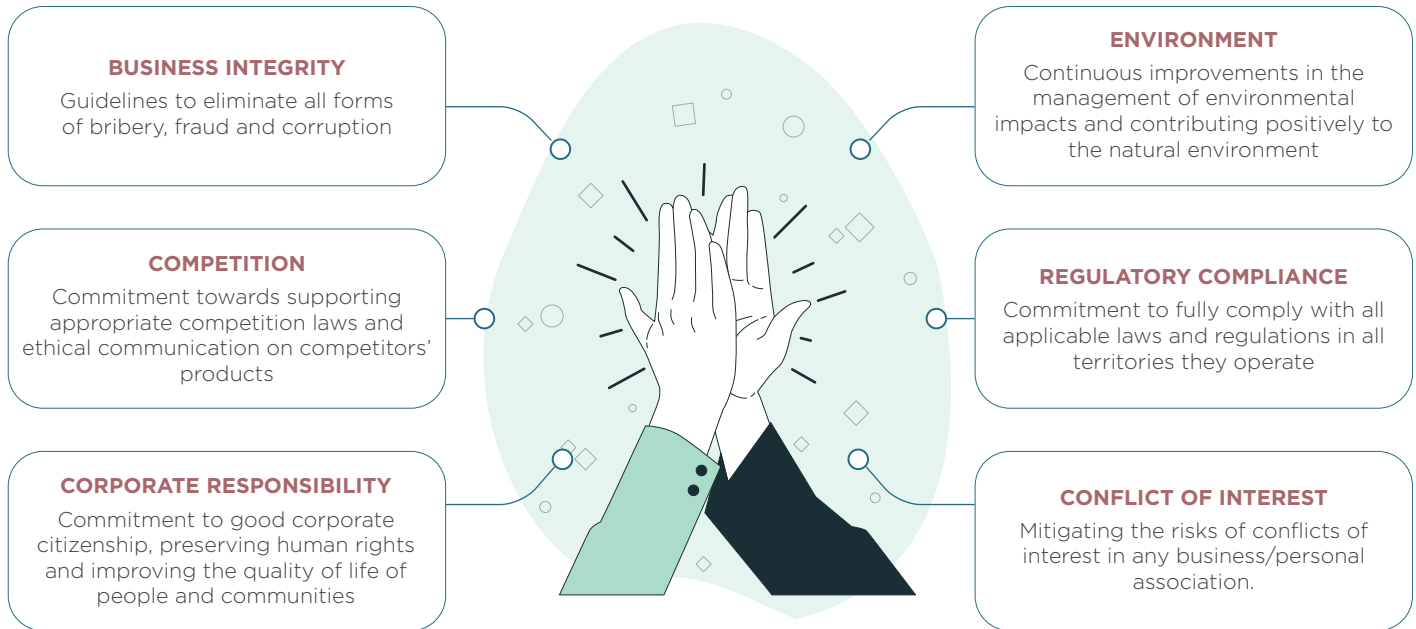
Ensuring the effective implementation of the Group's strategy and continued resilience requires a strong ethical culture. The Board is collectively responsible for setting the ethical tone at the top, with all Directors, KMPs and employees required to demonstrate integrity, transparency and the highest ethical standards.

The Hayleys Way: The Hayleys Way functions as the Ethical Road Map for all employees of the Group including its key management personnel, clearly setting out the expectations of all Group employees. This code of conduct is reinforced through the orientation training which all employees joining the Group undertake, typically within one month of joining. It sets out explicit statements on anti-corruption and acceptable gifts

Key elements of the Group's ethics framework

The Hayleys Way
Corporate Values
Whistleblower Policy
Bribery and Anti-Corruption Policy
Commitment to the UNGC's 10 principles

ETHICS AND CULTURE



APPROACH TO BRIBERY AND ANTI-CORRUPTION

The Group launched a new Bribery and Anti-Corruption policy during the year, aligned to the new Anti-Corruption Act No.9 of 2023, revisions to the Corporate Governance Rules applicable to Listed entities and other regulations. The policy is applicable to all Directors, KMP and employees of the Group. Key highlights of the policy include,

- Zero tolerance to bribery and corruption
- Prohibition of political contributions, donations to political parties and election candidates
- Guidelines on gifts, hospitality and promotional expenses and charitable donations
- Prohibition of facilitation payments to government officials or other person t to expedite an action or process
- Due diligence of partners: inclusion of anti-bribery clauses in agreements/contracts with partners is required
- Retaliations or threats against whistleblowers and disciplinary action against reporting bribery is prohibited

Whistleblower Policy: The Group's Whistleblower Policy provides an effective mechanism for employees to raise concerns where the interest of the organisation is at risk. The Policy ensures confidentiality and anonymity and encourages the reporting of concerns such as fraud, improper conduct and breach of the Hayleys Way among others. Two-way communication is facilitated by providing the Whistleblower feedback on the actions taken if he/she so requests. Key elements of the policy are set out alongside:

Preserving Human Rights: As a signatory to the United Nations Global Compact, Hayleys has committed to Principle 1 and 2 of the UNGC Principles of Human Rights. The Group has also implemented a Human Rights Policy which aims to foster an organisational culture that embraces internationally recognised guidelines on human rights while eliminating the risk of human rights abuse. Key aspects of the Policy include the following:

- Fair treatment: Quality of opportunity and treatment for

the purposes of eliminating discrimination

- Non-harassment: Creating an environment free of all forms of workplace harassment
- Abolishing child, forced and compulsory labour in both our operations and along our value chain in working with subcontractors and suppliers
- Freedom of Association and Collective Bargaining

CORPORATE GOVERNANCE

- Promoting health and safety by providing appropriate safety measures and precautions at all locations

OTHER AREAS OF OVERSIGHT

Risk Management

The Board governs risk in a manner that strengthens the Group's resilience and supports delivery of the strategy. Risks controls and procedures are constantly enhanced to enable better risk identification, assessment, mitigation and monitoring. The Board also considers emerging risks when approving corporate plans and budgets, setting strategies and monitoring performance against budgets.

In line with the requirements of the new Code, the mandate of the Audit Committee was widened during the year to increase focus on risk-related responsibilities. The Group's approach to risk management is described in further detail in the Risks & Opportunities chapter of this Annual Report on pages 104 to 112.

Measures taken to strengthen risk management during the year

- Identification of Sustainability-Related-Risks and Opportunities (SRROs) with emphasis on Climate-Related-Risks and Opportunities (CRROs) which are reported to Sector ESG Committees and Audit Committees on a quarterly basis (Refer to page 100 for further information)
- Revision of risk assessments and risk templates to reflect emerging developments

Discharge of risk-related responsibilities

Function	Mandate and Activities
Board Audit Committee (Please refer to pages 319 to 320 for the Composition, Scope and functions of the Audit Committee)	<ul style="list-style-type: none"> Oversight responsibility on selecting and applying accounting policies and maintaining an appropriate relationship with the external auditors Reviews internal control issues and risk management measures identified by MA & SRD and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting <p>Engagement with Sectors</p> <p>In addition to Audit Committees in listed subsidiaries, significant unlisted sectors have also established Audit Committees</p> <p>The annual Audit Committee Forum brings together all Audit Committee members of subsidiaries to discuss emerging concerns, trends and potential areas for improvement.</p>
Internal Audit (Management Audit & System Review Department)	<ul style="list-style-type: none"> Vital role in assessing the effectiveness of controls and strengthening them and establishing new controls where necessary Direct channel between the Head of MA&SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives. Reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee
External Audit and Auditor Independence	<ul style="list-style-type: none"> The Group's external auditors (for financial reporting) are Messrs. Ernst and Young and the principal does not engage in any services which are in the restricted category as stipulated by the CSE for external auditors The Audit Committee reviews the independence, the skills and experience and the work of the external auditors annually and recommends appointment accordingly to the Board The Audit Committee conducts an in-camera meeting with the external auditors on completion of the audit to identify any areas of concern The Audit Committee also monitors non-audit work done by the external auditors to ensure their independence

Board engagement with the business

- 5 Independent Directors serve on Board subcommittees, obtaining deeper insights on specific matters
- The 5 Executive Directors represent key sectors and Hayleys PLC center functions
- One Executive Director serves as the Chairman and Chief Executive
- Access to deeper insights at Sector level through common directors
- Regular monitoring of performance at monthly Board meetings
- Special meetings as and when required



COMPLIANCE

The Group's policy framework facilitates compliance with regulatory requirements and voluntarily adopted standards of best practice and which are verified by MA & SRD. The Group also has a whistle-blowing policy in place which is clearly communicated to all employees and the Audit Committee and Board receive information in this regard. During the year under review there were no significant instances of non-compliance with laws and regulations and/or monetary value of fines for non-compliance.

STAKEHOLDER RELATIONSHIPS

The Board consistently strives to ensure that communication with stakeholders is transparent, open and effective. In the execution of its governance responsibilities, the Board drives an inclusive approach that balances the often-conflicting interests of all stakeholders. Further details on the Group's stakeholder engagement is available on page 86 of this Report.

Shareholder engagement

The Group ensures that the rights of all shareholders are preserved and has established procedures to ensure the fair and equitable treatment of all shareholders. As described on page 86, an array of measures is also in place to ensure that shareholder views are identified and fully considered. Platforms driving shareholder communication are as follows:

- **Annual General Meeting:** The AGM is the main forum for engaging with shareholders and the Group has a history of well attended shareholder meetings
- **Quarterly results updates** with accompanying reviews and timely updates of price sensitive information to the Colombo Stock Exchange
- **Hayleys website:** Includes comprehensive information

including Annual Reports, interim reports, investor presentations, ESG related information and department-level information

- **The Annual Report:** A track record of setting benchmarks for corporate reporting affirms the Group's commitment to disclosure and transparency. Assurance on financial statements, sustainability information and compliance with the Integrated Reporting Framework supports the reliability of the information contained in the annual report which provides comprehensive information on relevant matters to the shareholders. The Reports and other information are available on the Company's website and price sensitive information is also available on the Colombo Stock Exchange website.
- **Interaction through Corporate Secretarial Division:** Shareholders have the opportunity to directly address concerns, suggestions or any other queries to the Corporate Secretarial Division of Hayleys PLC.

Preserving the rights of minority shareholders






Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders. Any information that the Board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases by either the Chairman and Chief Executive or the Company Secretaries as appropriate.

There are meetings with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM.

Launch of Shareholder and Investor Communications Policy






Purpose of policy: Ensuring that all shareholders and investors have equal and timely access to accurate and publicly available information about the Company

Includes details on,

-  Communication platforms
-  Social media presence
-  Shareholder enquiries
-  Shareholder privacy
-  Financial and ESG Reporting

REMUNERATION REVIEW

The Group's remuneration policies and procedures are relevant, fit-for-purpose and designed to ensure alignment with the Group's strategic aspirations. The performance criteria are set at a level which drives high performance, but precludes excessive risk-taking behaviour.

-  Driving the achievement of the Group's strategic aspirations
-  Attracting and retaining high-performing talent
-  Promote internal equity through fair and transparent remuneration schemes
-  Optimum allocation of resources in driving positive outcomes
-  Nurture an ethical culture and responsive and responsible corporate citizenry

CORPORATE GOVERNANCE

REMUNERATION GOVERNANCE

The Board Remuneration Committee provides oversight regarding remuneration-related matters within its mandate. The Committee thereby determines the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Report and summarised terms of reference the Remuneration Committee Report are set out on page 323. Additionally, some selected sector holding companies which are Groups in their own right, have also established their own remuneration committees to address the specific concerns within the industry in which it operates.

KEY DECISIONS AND ACTIVITIES OF THE REMUNERATION COMMITTEE

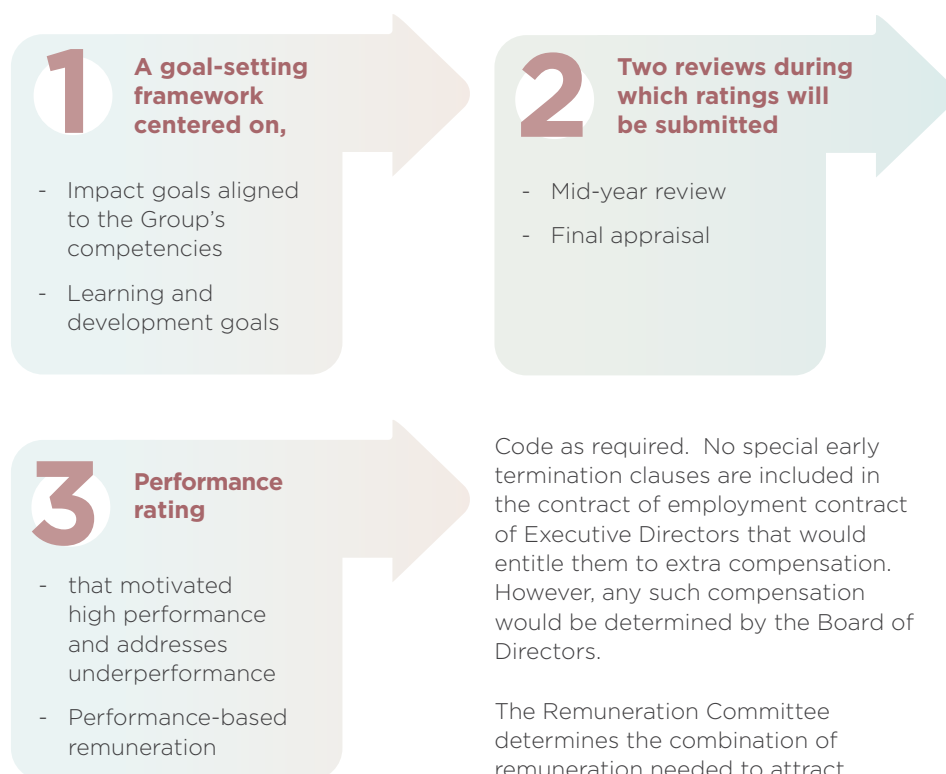
- Review the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on defined targets and determined the bonus payable and the annual increments.
- Reviewed Executives' compensation and implemented market corrections to Executives total compensation in line with the market median.
- Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.

The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board and additional fee for being a member of a Committee. They do not receive any performance related incentive payments. Remuneration Committee

consults the Chairman about its proposal relating to the remuneration of other Executive Directors and have access to professional advice from within and outside Hayleys PLC, in discharging their responsibilities. No Director is involved in deciding his own remuneration.

REMUNERATION PHILOSOPHY

Hayleys' remuneration processes are designed to ensure alignment with the Group's strategic aspirations. The performance criteria are set at a level which drives high performance, but precludes excessive risk-taking behaviour. The performance review process is graphically illustrated below:



Code as required. No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.

The Remuneration Committee determines the combination of remuneration needed to attract, retain and motivate Executive Directors of the quality required to achieve corporate goals. The Remuneration Committee ensures that the remuneration of executives of each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive with those of comparative companies.

LEVEL AND MAKE-UP OF REMUNERATION

A performance-based incentive has been determined by the Remuneration Committee to ensure that the total earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies. Presently the Group does not have an Executive Share Option Schemes. The Remuneration Committee follows the provisions set out in Schedule D of the

Remuneration for Non-Executive Directors reflect the time commitment and responsibilities of their role, taking into consideration market practices. Non-Executive Directors are not included in share options as there is no scheme in existence.

The Report of the Remuneration Committee is set out on page 323 which includes a statement on Remuneration Policy. Please refer page 369 for the total Directors' Remuneration.

REMUNERATION IN 2023/24

Employee remuneration consists of salaries and bonus, defined benefit charges and other related expenses. Given the conditions that prevailed during the year, the Group engaged in a market adjustment of salaries, ensuring continued financial security to all employees. Further details of this are available on page 369 to Notes 10 and the Financial Statements.

Rs.bn	2024	2023
Directors' emoluments	4.25	3.57
Personnel expenses		
Defined contribution plan cost	3.88	3.05
Employee benefit plan cost	3.16	2.22
Other staff cost	46.07	41.04

REMUNERATION PRINCIPLES



Open and transparent



Fair and free from discrimination



Market competitive



Created performance orientation

Aligning strategy to remuneration

Remuneration structures are designed to assist us in measuring our performance against our strategic objectives using relevant performance indicators

ROADMAP TO ALIGN WITH NEW CORPORATE GOVERNANCE RULES

The Corporate Governance Rules applicable to listed entities under Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange were revised during the year, with effect from 1st October 2023. Key changes applicable to the Group and our planned roadmap for aligning with these requirements are presented in the table below. Please refer to page 13 for further details on the compliance to the new Corporate Governance Rules. Meanwhile, the Group has also opted for early adoption of the revised Code of Best Practice on Corporate Governance (2023) by CA Sri Lanka

Rule	Summary of requirement	Effective date of implementation	Status of compliance
9.8.1	Board composition	October 2024	Complied
9.8.3	Revisions to independence criteria	January 2025	Will be compliant by December 2024
9.3.3, 9.11, 9.12 9.13, 9.14	Sub-committee composition, Chairmanship and mandate	October 2024	Complied
9.14.2	Composition of Related Party Transactions Review Committee	April 2024	Complied
9.6	Chairperson and CEO duality	October 2023	Senior Independent Director appointed
9.7	Fitness and propriety of Directors	April 2024	Complied
9.2	New policies to be established	October 2024	Partially compliant, will be fully compliant by October 2024
9.13.4 9.13.5	Enhanced disclosures in the Annual Report	March 2024	Complied

CORPORATE GOVERNANCE

Compliance with CSE Continuing Listing Rules – Section 7.6

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Page Reference
7.6 (i), (ii)	Names of persons who during the financial year were Directors and principal activities during the year	Compliant	Report of the Board of Directors Pages 286 to 294
7.6 a(iii), (iv)	Twenty largest Shareholders, float adjusted market capitalisation, public holding percentage, no. of public shareholders and minimum required public shareholding	Compliant	Share Information pages 459 to 461
7.6 (v)	Directors' and CEO's(MD's) holding in shares	Compliant	Report of the Board of Directors Pages 286 to 294
7.6.(vi)	Material foreseeable risk factors of the entity	Compliant	Risks and Opportunities on pages 104 to 112
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Human Capital on pages 256 to 265
7.6 (viii)	Extents, locations, valuations, number of buildings	Compliant	Statement of Value of Real Estate Pages 454 to 457
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	Report of the Board of Directors Pages 286 to 294
7.6 (x)	Shareholder Distribution Schedule including percentage of total holding in given categories	Compliant	Share Information pages 459 to 461
7.6 (xi)	Ratios and Market Price Information		Refer pages 459 to 461
7.6(xii)	Changes in Entity's and subsidiaries fixed assets and market value of land	Compliant	Please refer pages 454 to 457
7.6 (xiii)	If during the financial year the entity has raised funds either through a public issue, rights issue or private placement.	N/A	N/A
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Compliant	Corporate Governance Report pages 71 to 73
7.6 (xvi)	Related party transactions exceeding 10% of Equity or 5% of total assets of the Entity as per audited financial statements, whichever is lower	Compliant	Refer Related party transaction on page 433

Compliance with CSE Corporate Governance Principles – Revised Section 9 of the Listing Rules

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
9.2.1	Policies	Compliant	The Company has established and continues to maintain the policies on Board Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct and Ethics ('Hayleys Way'), Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social Governance and Sustainability (Hayleys Lifecode'), Whistleblowing and Anti Bribery and Corruption.
9.3	Board Committees	Compliant	The Company continues to maintain the Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee. Except for the Audit Committee, the Company's other committees acted as the Committees for the subsidiaries of the Company.
9.3.2	Composition and disclosures	Compliant	All the Committees comply with the required rules. Please refer the respective Committee Reports.
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board
9.4.1	Meeting Procedures	Complaint	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Complaint	<p>The Company has a Shareholder Communication and Relations policy and it is published on the corporate website.</p> <p>The contact person is mentioned.</p> <p>The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.</p>
9.5.	Policy on matters relating to the Board of Directors	Complaint	The Company maintains a Policy on Matters relating to the Board of Directors which addresses the requirements in rules 9.5.1 and 9.5.2
9.6. 2	Chairperson and CEO	Complaint	Since the Chairperson and CEO of the Company is the same person, a market announcement was made on 1st November 2024 stating the rationale for combining the two roles.
9.6.3	Senior Independent Director	Complaint	The Company has a Senior Independent Director since the Chairperson and the CEO are the same person.
9.6.3. (b)	Senior Independent Director	N/A	Not applicable since all Non-Executive Directors are independent
9.6.3. (c)	Senior Independent Director	Complaint	The SID holds a meeting once a year with the Non Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3. (e)	Senior Independent Director	Complaint	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in the Statement by the Senior Independent Director. Refer Page 316
9.6.4	Rationale for appointing a SID	Compliant	The rationale is given in the Statement of the Senior Independent Director.

CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
9.7.1	Fitness of Directors and CEO	Complaint	The Company ensures that the Directors and CEO at all times fulfill the fit and proper assessment criteria set out in the Listing Rules
9.7.4	Fitness of Directors and CEO	Complaint	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.
9.7.5	Disclosures in the Annual Report	Compliant	Page 60 of the Annual Report provides the relevant disclosure.
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 11 Directors up to 31st March 2024. On 1st April 2024, an additional Independent Director was appointed.
9.8.2	Independent Directors ('IDs')	Compliant	Six Directors are Independent as at 1st April 2024
9.8.3	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys PLC, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	Each ID signed and submitted a declaration regarding his independence. The Board assessed the independence declared by the Director. The Board having considered that the Independent Directors who have served over 9 years do not exert control over the Company and are capable of acting in an impartial and independent manner, determined that they are nevertheless independent. The same is disclosed on page 322.
9.9	Alternate Directors	Not Applicable	The Board does not have any alternate directors
9.10.(1)	Disclosure relating to Directors		Company Policy on maximum number of Directorships which a Director can hold in listed companies is 20.
9.10.2	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange, together with a brief resume of Director, capacity of directorship and if they hold any relevant interest in shares of the Listed Entity. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board. Please refer pages 44 to 47 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to Board Committees were immediately informed to the Colombo Stock Exchange.
9.10.4	Disclosure relating to Directors	Compliant	Pages 286 to 294 of the Annual Report of the Board of Directors contains the relevant information
9.11.1-3	Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 321 to 322.
9.11.4	Composition of the Nominations and Governance Committee	Compliant	The Nominations and Governance Committee comprised 3 Independent Non Executive Directors. On 17th May 2024 Mr. T.A.B. Speldewinde (Independent Director) was added to the Committee. There are no Executive Directors on the Committee. Please refer the Report on Pages 321 to 322.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
9.12.1	Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 323 and Principles B1 to B3 on page 78 of this Corporate Governance Report.
9.12.5	Remuneration Committee	Compliant	The Remuneration Committee has written Terms of Reference
9.12.7	Functions of Remuneration Committee	Compliant	The remuneration Committee recommends the remuneration payable to the Executive Directors and the CEO.
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	
9.13.1	Composition of Audit Committee	Compliant	
9.13.4	Audit Committee Functions	Compliant	The Audit Committee comprises 4 Independent Non Executive Directors. The Committee has well defined Terms of Reference defining its scope, authority and duties. Refer Audit Committee Report on pages 319 to 320.
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	
9.14.1 and 9.14.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	The Company has a RPTRC which comprises 3 Directors out of which 2 Directors are Independent. A new Independent Director was added to the Committee on 17th May 2024. Please see the Report of the Related Party Transaction Review Committee in page 324
9.14.3	Functions of RPTRC	Compliant	Please refer the Report of the Related Party Transaction Review Committee in page 324.
9.14.4	RPTRC Meetings	Compliant	RPTRC met 04 times during the year 2023/24.
9.14.7	Immediate Disclosures	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 430 to 433
9.14.7	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Notes 38.7 and 38.8 of the Notes to the Accounts on page 433
9.14.8	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on page 324
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 286 to 294
9.16	Additional Disclosures	Compliant	Please refer the Report of the Board of Directors on pages 286 to 294
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 321 to 322
9.11.6	Disclosures in Annual Report	Compliant	Refer the Nominations and Governance Committee Report on pages 321 to 322

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.1 An effective Board should direct, lead and control the Company	The Board meets on a monthly basis and attendance at meetings is given on page 61. Board packs are circulated one week prior to the Board meeting and typically include the following information:	<input checked="" type="checkbox"/>
A.1.1 Regular meetings, structure and process of submitting information	<ul style="list-style-type: none"> Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment; Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets; Impacts of risk factors impact of risk factors on financial and operating results and actions to mitigate such risks Forecast performance for the financial year Compliance with laws and regulations and any non-compliances Internal control breaches or frauds during the period Financial and operational decisions taken by the CEO within his delegated authority Share trading of the company Sustainability/ESG related risks and opportunities during the period Cyber security risks, mitigative measures and a security breach report (if any) Any other matters the Board should be aware of 	<input checked="" type="checkbox"/>
A.1.2 Roles & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 59 and encompass those set out in the Code .	<input checked="" type="checkbox"/>
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies set out on pages 104 to 112, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices with regards to the operations of the Group.	<input checked="" type="checkbox"/>
A.1.4 Access to advise and services of Company Secretary	<p>All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Private) Limited which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant mandatory records of the Group.</p> <p>Hayleys PLC has obtained insurance cover for the Board of Directors and key management personnel.</p>	<input checked="" type="checkbox"/>
A.1.5 Independent judgement	Directors bring independent judgment to bearing on decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. Many of the Board members are professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	<input checked="" type="checkbox"/>

Code Ref.	Compliance and Implementation	Compliance
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	<p>Dates of regular Board meetings and Board Sub-Committee meetings are scheduled at the beginning of the year and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis.</p> <p>It is estimated that Non-Executive Directors dedicate not less than 16 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 4 days for the affairs of the Group.</p> <p>In addition, they are available for any adhoc meetings or discussions at any time.</p>	☑
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	☑
A.1.8 Board induction and Training	<p>Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.</p> <p>Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.</p> <p>In accepting an appointment as a Director, consideration is given to the responsibilities of the role, ability to commit time, any existing or potential conflicts of interest and required competencies.</p>	☑
A.2 Chairman & Chief Executive Officer	Functions of Chairman and Chief Executive are vested in one person as the Board is of the opinion that it is the most appropriate arrangement for Hayleys PLC considering the diversity and size of the Group. Dr H Cabral, PC, who is an Independent Non-Executive Director functions as the Senior Independent Director to facilitate Board balance.	☑
A.3. Chairman's role in preserving good corporate governance	See Role of Chairman in Corporate Governance Report.	☑
A.3.1 Conduct of Board Meetings	<p>The Chairman ensures the following:</p> <p>a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management</p>	☑

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
	<ul style="list-style-type: none"> b. Sufficiency of information in Board packs and timely availability of the same c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group d. Effective participation of Executive and Non-Executive Directors, e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda f. Sufficient balance of power between Executive and Non-Executive Directors g. Views of directors are obtained and the minutes reflect the deliberations of the Board h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders 	
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	☑
A.5 Board Balance	With the appointment of 2 new directors there are now 6 Independent, Non-Executive Directors on the Board, similar to the number of Executive Directors.	☑
A.5.1 Majority of Non-Executive Directors	All six Non-Executive Directors are independent of any material business relationships.	☑
A.5.2 If only 3 NEDs, they should be independent	<p>Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement.</p> <p>The Chairman holds a meeting at least once a year with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.</p>	☑
A.5.3 Independence of Directors	Independent directors are free of any business or other relationship that could materially interfere with their unfettered or independent judgement	☑
A.5.4 Annual declaration by Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	☑
A.5.5 Annual determination of independence	The Company does not have any alternate Directors	☑
A.5.7 & A.5.8 Senior Independent Directors	<p>Dr. H. Cabral PC has been appointed as Senior Independent Director as disclosed in A.1. in the Corporate Governance Report. The role has being expanded to 2 meetings per annum with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.</p> <p>The Report of the Senior Independent Director is available on page 316 of this Report.</p>	☑

Code Ref.	Compliance and Implementation	Compliance												
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	<input checked="" type="checkbox"/>												
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes	<input checked="" type="checkbox"/>												
A.6. Supply of Information	<p>The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:</p> <ul style="list-style-type: none">• Directors who are unable to attend meetings physically have the opportunity to participate through digital platforms.• Formally documented minutes of discussions.• By clarifying matters from the Board Secretary.• Separate discussions at start of meeting regarding matters arising for the previous meeting.• Archived minutes and Board papers accessible electronically at the convenience of the Directors. <p>Directors also have an open invitation to attend the meetings of the Management Committees and can interact with Senior Management after Board meetings. Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. Minutes of meetings are circulated with the Board packs for the next monthly meeting within the agreed time.</p>	<input checked="" type="checkbox"/>												
A.7. Appointments to the Board: Nomination Committee	Refer Nomination, Appointment & Succession in Corporate Governance Report and Report of Nominations Committee on pages 321 to 322.	<input checked="" type="checkbox"/>												
A.8 Directors to submit themselves for re-election	At least once in 3 years the Directors submit themselves for re-election by Shareholders	<input checked="" type="checkbox"/>												
A.9 Appraisal of Board & Committee Performance	The Board undertakes an annual self-evaluation of its performance, that of its committees, Chairman, Non-Executive Directors and Executive Directors. Please refer to page 60 for further information.	<input checked="" type="checkbox"/>												
A.10 Annual Report to disclose specified information regarding directors	<table><tr><th></th><th>Page</th></tr><tr><td>Profiles of Board members</td><td>44 - 47</td></tr><tr><td>Membership of sub-committees and attendance at Board and Subcommittee meetings</td><td>61</td></tr><tr><td>Remuneration paid to directors</td><td>369</td></tr><tr><td>Board seats held by each Director in listed and unlisted companies</td><td>61</td></tr><tr><td>Names of listed and non listed companies in Sri Lanka in which they serve as directors</td><td>44 - 47</td></tr></table>		Page	Profiles of Board members	44 - 47	Membership of sub-committees and attendance at Board and Subcommittee meetings	61	Remuneration paid to directors	369	Board seats held by each Director in listed and unlisted companies	61	Names of listed and non listed companies in Sri Lanka in which they serve as directors	44 - 47	<input checked="" type="checkbox"/>
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Board seats held by each Director in listed and unlisted companies	61													
Names of listed and non listed companies in Sri Lanka in which they serve as directors	44 - 47													

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.11 Appraisal of the CEO	Prior to the commencement of each financial year, the Board in consultation with the Chairman & Chief Executive, set reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chairman & Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chairman & Chief Executive is responsible for providing the Board with explanations for any adverse variances together with actions to be taken.	☑
DIRECTORS' REMUNERATION		
B.1. Establish process for developing policy on executive and director remuneration.	Refer Remuneration on page 323	☑
B.2. Remuneration Committee	Refer to Remuneration Overview on page 67 of the Corporate Governance Report for information on the Group's approach towards remuneration. Also refer to page 323 for the Remuneration Committee Report.	
B.3 Disclosure of remuneration	The Report of the Remuneration Committee on page 323 provides a statement on Remuneration Policy. The total for Directors' Remuneration is given on page 308	☑
RELATIONS WITH SHAREHOLDERS		
C.1. Constructive use of the AGM & Other General Meetings	Refer Upholding rights of shareholders on 67	☑
C.2. Communication with shareholders		
C.3. Disclosure of major transactions	Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affected the asset base of Hayleys PLC or consolidated Group asset base	☑
ACCOUNTABILITY & AUDIT		
D.1 Accountability & audit	The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms to the GRI Standards published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange. ous loss of capital to convene an EGM in terms of the Companies Act.	☑

Code Ref.	Compliance and Implementation	Compliance
	<p>The following specialised information requirements are also included in this Annual Report:</p> <ul style="list-style-type: none"> • The Business model – on pages 82 to 85. • Industry structure and developments – on pages 114 to 245. • Opportunities & Threats – on pages 104 to 112. • Risk Management – on pages 104 to 112. • Internal control systems and their adequacy – on page 318 • Corporate and enterprise governance- on pages 52 to 80 • Stakeholder relationships on page 67. • Social and environmental, governance activities carried out by the Company- on pages 101 to 103 • Financial performance on pages 248 to 252 • Investment in physical and intellectual capital on pages 273 to 277 • Human resource management on pages 256 to 265 • Prospects for the future on pages 114 to 245 • The Annual Report of the Board of Directors on the Affairs of the Company given on pages 286 to 294 cover all areas of this section. • The “Statement of Directors’ Responsibilities” is given on page 317. • The Directors’ Statement on Internal Controls is given on page 318. • The “Independent Auditors’ Report “on pages 326 to 329 For the Auditor’s responsibility. 	
D.2. Risk Management & Internal Control	The process adopted by the Board in identifying, assessing, monitoring and managing risks is presented on pages 104 to 112 of this Annual Report. The scope of the Audit Committee has been widened to include risk management duties. Refer to the Audit Committee Report on pages 319 to 320 of this Annual Report for further information.	☑
D.3. Audit Committee	Refer Audit Committee on pages 319 to 320	☑
D.4. Risk Committee	The Board’s oversight on risk management aspects including identifying and assessing risks and managing exposures is given on pages 104 to 112 of this Report.	
D.5 Related Party Transactions Review Committee	Refer Report of the Related Party Transactions Review Committee on page 324 of this Annual Report.	☑
D.6. Code of Business Conduct and Ethics	The Hayleys Way serves as the ethical roadmap for all Directors, key management personnel and other employees. Refer to page 64 for further information.	☑
D.5 Corporate Governance Disclosures	The Corporate Governance Report from pages 52 to 80 and this Annex I: Compliance with the Code of Best Practice on Corporate Governance complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.	☑
E. SHAREHOLDERS	Please refer Investor Relations on pages 251	☑
E.2 Evaluation of Governance Disclosures	All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters.	☑

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
F. OTHER INVESTORS	Individual shareholders actively participate in the Group's AGM and exercise their voting rights.	✓
G. INTERNET OF THINGS AND CYBERSECURITY		
G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT for the year under review.	✓
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited on 1st April 2021	✓
G.3 Include cyber security in Board agenda	It is a regular agenda item on the Board agenda	✓
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	✓
H. SUSTAINABILITY: ESG RISKS AND OPPORTUNITIES		
H.1 Integration of ESG risks and opportunities	The Group has embedded the identification of ESG risks and opportunities to its existing business risk management processes. Please refer to the Climate Risk Report on pages 288 to 304 of this Report.	✓
H.2 Stakeholder engagement on ESG matters	The Group applies a systematic materiality assessment which includes formal and informal stakeholder engagement. This process is explained in the Materiality and Stakeholder Engagement sections on pages 86 to 89.	✓
H.3 & H.4 Sustainability governance	Group and Sector-level ESG Steering Committees have been established in line with the adoption of IFRS S1 and S2. Further information is available on page 290 of this Report. The Group's approach to managing the following elements are described in the given page references. <ul style="list-style-type: none"> • Health and safety: page 265 • Climate change: page 288 • Pollution prevention: page 288 • Effluent treatment: page 282 • Sustainable resource use: page 104 • Restoration of natural resources: page 277 • Renewable energy: page 279 • Biodiversity: page 286 	✓
H.5 ESG related disclosures	The Group's Annual Report includes sustainability-related financial disclosures aligned to the IFRS Sustainability Reporting Disclosure Standards. Information on the business impacts of sustainability related risks and opportunities are available in the Group's Climate Risk Report on page 288	✓

UNLOCKING VALUE

Protecting our World

As we cascade value across every corner of our ecosystem, we are dedicated towards safeguarding our stakeholders under our canopy of protection, even amid times of adversity and change.

Over 80% of all land animals, plants, fungi, and bacteria in the world reside in forests – cementing its status as one of the richest terrestrial ecosystems. They are home to an incredibly diverse community; with many of these species seeking the protection of these forests owing to their ability to nurture collective growth, and extend shelter and protection against extreme events.



VALUE CREATION MODEL

Value Creation Model

The Group's value creation model is a graphical illustration of how Hayleys relies on its resources and relationships (classified into six capitals by the <IR> Framework) to create and preserve value through its diverse business activities. The transformation of these capitals enables the delivery of the Group's strategy, its ESG aspirations while contributing towards advancing the UN Sustainable Development Goals. Given the diversity of our businesses, in developing our value creation

INPUTS

OUR RESOURCES AND RELATIONSHIPS



Financial Capital

Shareholders' funds: **Rs 125.53 bn**

Debt: **Rs 171.78 bn**



► Page 248



Manufactured Capital

Property, plant and equipment including buildings, machinery & equipment: **Rs 133.79 bn**

Advanced manufacturing capabilities



► Page 253



Human Capital

36,266 permanent employees
Skills, value and industry insights
Strong leadership team
Organisational culture- Hayleys Way



► Page 256



Social & Relationship Capital

Partnerships with customers, suppliers, value chain partners and industry stakeholders
Relationships with communities and civil society



► Page 266



Intellectual Capital

Strong brands
Innovation capabilities Systems, processes and standards
Organisational capital



► Page 273



Natural Capital

Land extent: **414.49 acres**
Energy consumption: **5.29 GJ mn**
Water use: **7.03 m³ mn**
Raw materials



► Page 277

AVAILABILITY & QUALITY OF CAPITAL

Although interest rates have eased, accessing financial capital remains expensive, underscoring the importance of prudent financial management

Technological transformation, evolving customer requirements and sustainable manufacturing necessitates improved agility of physical infrastructure

Against the backdrop of talent migration from the country, the competition for skills is intensifying, requiring emphasis on growing talent from within and retaining our high-performing employees.

Maintaining our social license to operate is critical in the current environment, underpinned by ethical and responsible behaviour that earns stakeholder trust.

Building domain-specific, organisational knowledge through retaining talent, nurturing a culture of learning and enhancing agility of our team is critical to long-term success

The country's ambitious emission reduction goals as well as increasing water stress and degradation of land continues to drive the business case for preserving and enriching our natural resources

model we have sought to disaggregate the Group into material operations and activities, based on the business models of each Sector. Businesses within the Group operate relatively independently of each other, reflecting the diverse nature of the industries in which we have a presence. Hayleys PLC- the holding company, offers services through several key centralised functions including Corporate Affairs, Legal, Human Resources, Corporate Communications, Central Treasury and ESG among others

VALUE CREATING PROCESSES

OPERATING CONTEXT

Key dynamics shaping the Group's operating landscape during the year included,

- Geopolitical tensions
- Macro-economic vulnerabilities
- Technology and automation
- Talent migration
- Supply chain disruptions
- Shifting customer dynamics
- Competition



BUSINESS SECTORS

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail
- Leisure
- Industry Inputs, Power & Energy
- Transportation and Logistics
- Projects and Engineering
- Tea exports
- Others



KEY RISKS

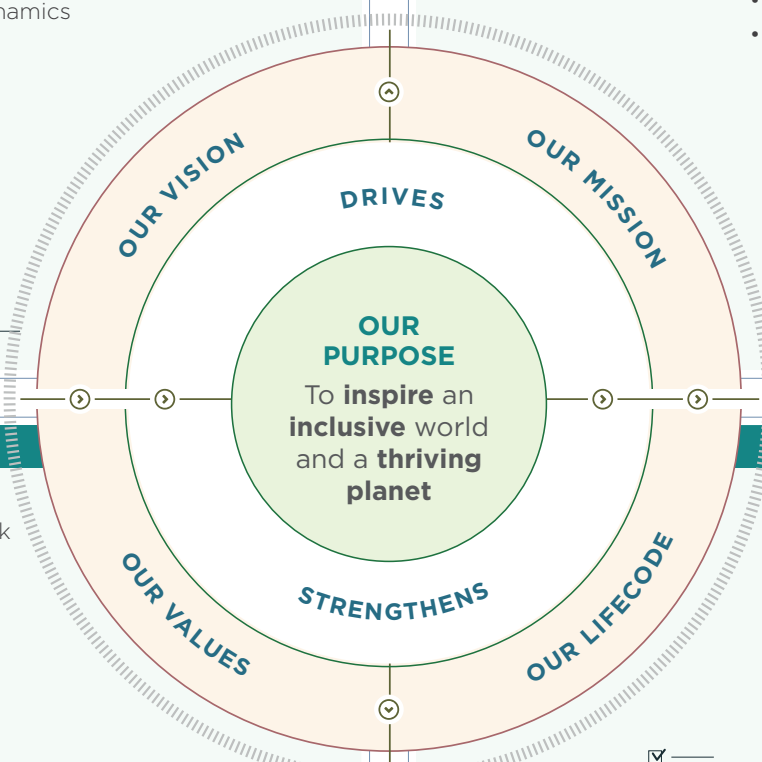
- Foreign currency and exchange rate risk
- Economic risk
- Geopolitical risk
- Local political risk
- Interest rate risk
- Employee retention
- Climate change
- Raw material price volatility and supply chain disruptions



STRATEGIC PRIORITIES

The Group's overall strategic direction is underpinned by 5 strategic pillars

- Portfolio optimisation
- Customer centricity
- Nurturing inspired teams
- Inclusive business models
- ESG integration

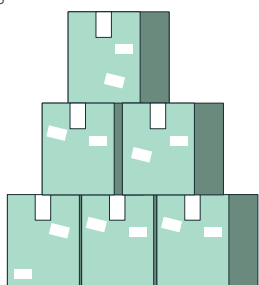


VALUE CREATION MODEL

OUTPUTS AND OUTCOMES

PRODUCTS

- Fibre-based products
- Protective hand-ware
- Tea, rubber and value-added tea
- Activated carbon
- Aluminium profiles
- Agricultural products
- Industrial raw materials
- Consumer durables
- Fabrics



SERVICES

Hotels and resorts
Transportation and logistics services
MEP, Solar, BPO and shared services

Waste and emissions

- Total GHG emissions: **213,078 tCO₂e**
- Biogenic emissions: **282,951 tCO₂e**
- Total waste: **20,850 MT**
- Effluents: **4.85 m³ mn**



CAPITAL OUTCOMES



Financial Capital

- > Net Asset Value per Share: **+2%**
- > Earnings Before Interest and Tax: **Rs. 42.72 bn (-30%)**
- > Profit After Tax: **Rs. 14.85 bn (-46%)**
- > Company dividends: **Rs. 4.01 bn**
- > Return on Capital Employed: **14.36%**



► Page 248



Manufactured Capital

- > Capital expenditure: **Rs. 19.83 bn (+15.75%)**
- > PPE/Turnover ratio: **30.62%**
- > Depreciation and amortisation: **Rs. 10.78 bn (+7.65%)**



► Page 253



Human Capital

- > Payments to employees: **Rs. 53.12 bn (+32%)**
- > Training investment increased: **Rs. 183.28 mn (2%)**
- > Turnover: **26%**
- > Improvement in diversity indicators



► Page 256



Intellectual Capital

- > Investment in R&D: **Rs. 548.08 mn (+70%)**
- > New products developed: **624**
- > Commenced digital transformation processes



► Page 266



Social & Relationship Capital

- > Improvement in customer satisfaction levels
- > Investment in CSR: **Rs. 408 mn (-6%)**
- > Supplier payments: **Rs. 325.36 bn (-17%)**



► Page 273














































Natural Capital

- > Recycled water used: **14%**
- > Renewable energy generated: **196,166 MWh**
- > Increase in total emissions: **2%**
- > Trees planted: **69,382**



► Page 277

STAKEHOLDER OUTCOMES AND SDG ALIGNMENT

SHAREHOLDERS	EMPLOYEES	CUSTOMERS	BUSINESS PARTNERS	COUNTRY & COMMUNITY
				
				
				
				
				
  				
				
				
  				
				
    				

● Value Created

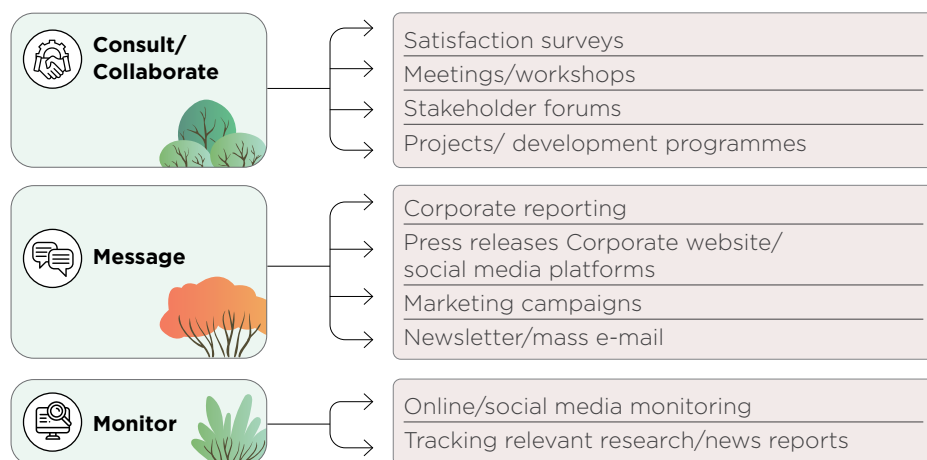
● Value Preserved

STAKEHOLDER RELATIONSHIPS

The diversity and depth of the Group's businesses have enabled it to build intricate and interconnected networks across extensive stakeholder groups and understanding and responding to the needs of these stakeholders is essential for commercial success and maintain our social license to operate.

GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder Engagement is a key element within the Governance (G) pillar of the Hayleys Lifecode, which articulates the Group's value proposition to stakeholders and includes specific policies for employees, suppliers and communities that offer guidelines on the approach to stakeholder engagement. The Lifecode also sets out the engagement measures under each selected approach as set out below;




ADDRESSING BARRIERS TO STAKEHOLDER ENGAGEMENT


The breadth and depth of the Group's relationships makes its stakeholder universe widely diverse, which in turn necessitates differentiated approaches in conducting stakeholder engagement. This diversity includes language, cultural differences, general differences, gender imbalances and divisions within communities. The Group adopts the following measures to address these barriers;

- Trilingual communication wherever possible
- Tailor-made engagement initiatives for selected groups
- Use of independent parties to conduct engagement

Results of the Group's stakeholder engagement during 2022/23 is set out below:



SHAREHOLDERS: Institutional shareholders and retail shareholders



Strength of relationship: Strong

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Quarterly financial results released to the CSE
- Press releases through the CSE (ongoing)
- Ongoing engagement with investment analysts stockbrokers and media
- Corporate website and social media


Receiving feedback

- Annual General Meeting
- Communication through the Company Secretarial Division
- Investor road shows


Integrating feedback to decision-making

Shareholders' concerns (including those of minority shareholders) are brought to the attention of the Board of Directors and GMC members through the Corporate Affairs Unit, Company Secretary and Strategic Business Development Unit which serve as points of contact for all shareholders.

Read more about our value creation to shareholders and the progress made against relevant metrics on page 252



ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> Implications of macro-economic uncertainty on performance Growth opportunities in new market segments and business lines Strength of corporate governance and risk management practices Delivering on ESG commitments 	<ul style="list-style-type: none"> Ongoing monitoring of geopolitical, macro-economic and industry developments Exploring new opportunities in market and product segments Strengthening bribery and anti-corruption practices Sector-wise formulation of ESG strategies in line with the Hayleys Lifecode 	<div> Link to material topics </div> <div> Macro-economic impacts Government policy Economic performance Operational efficiency and productivity Taxation </div> <div> Link to capitals </div> <div>  </div>



EMPLOYEES



Strength of relationship: Good



METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Regular multi-level staff meetings
- Performance appraisals
- Year-round event calendar including work-life balance initiatives, sports activities and cultural activities
- Digital engagement

Receiving feedback

- Performance appraisals
- Periodic satisfaction surveys (Sector-level)
- Open-door policy and grievance mechanisms

Integrating feedback to decision-making

Identified employee concerns are escalated to the relevant GMC and Group HR Division which formulates the Group's overarching HR strategy for the year

Read more about our value creation to employees and the progress made against employee metrics on page 256

ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> • Adequacy of remuneration given escalations in cost of living and higher tax regime • Conducive and stimulating work environment • Opportunities for skill and career development • Work-life balance 	<ul style="list-style-type: none"> • Ensure financial security through market adjustments • Year-round engagement activities • Increased focus on leadership development • Measures to ensure better work-life balance through introducing family-friendly work policies 	<p>Link to material topics Employee value proposition Employee well-being</p> <p>Link to capitals</p>



CUSTOMERS: Individuals, SMES and corporates in Sri Lanka and across the world



Strength of relationship: Strong



METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Customer interaction at contact points
- Print and electronic media publications as and when required
- Social media interaction

Receiving feedback

- Engagement through marketing teams
- Periodic customer satisfaction surveys in certain sectors
- Open-door policy and grievance mechanisms

Integrating feedback to decision-making

Customer feedback is a key input in determining product development, marketing and sales strategy and pursuing opportunities in new markets

Read more about our value creation to and the progress made against customer metrics on page 266

ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> • Concerns on affordability given escalating inflation • Customer service levels • New products catering to emerging requirements • Responsible and sustainable business practices • Ease of conducting business 	<ul style="list-style-type: none"> • Increased focus on value-added product offerings • Ongoing engagement through active participation in exhibitions and roadshows • Embedding sustainable practices into processes and decision-making 	<p>Link to material topics Product quality and responsibility Customer satisfaction Evolving customer requirements</p> <p>Link to capitals</p>

STAKEHOLDER RELATIONSHIPS



SUPPLIERS AND BUSINESS PARTNERS :

Extensive network of suppliers and business partners across industries and geographies



Strength of relationship: Good



METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Periodic supplier reviews and assessments
- Supplier development initiatives

Receiving feedback



- Periodic supplier reviews and assessments
- Community engagement initiatives
- Supplier conventions

Integrating feedback to decision-making

Identified concerns are communicated by relevant procurement departments to the respective leadership teams who provide due consideration when determining working capital management and procurement-related decisions.

Read more about our value creation to suppliers and business partners and the progress made against relevant metrics on page 268

ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> • Fair and transparent pricing and timely payments • Opportunities for business growth and mutual value addition • Drive connectivity to global supply chains • Supplier development and transfer of technical knowledge 	<ul style="list-style-type: none"> • Timely payments of all dues • Share insights on future demand conditions to support better visibility and planning • Ongoing investment in long-term supplier development programmes • Propagate sustainable practices along our supply chain 	<p>Link to material topics Best practices along the supply chain Community and livelihood development</p> <p>Link to capitals</p>  



GOVERNMENT: Multiple regulators through our diverse sectors



Strength of relationship: Strong



METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Ongoing regulatory reporting in certain sectors
- Consultations and meetings when required
- Announcements to the CSE when required



Receiving feedback

- Consultations and meetings when required

Integrating feedback to decision-making

Regulatory developments are consistently monitored by the Sectors to which they are relevant and compliance is ensured through the Compliance/Internal Audit functions

ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> • Employment generation and retention of skilled labour in the country • Generation of tax revenue and foreign currency • Support national economic development objectives • Compliance with all relevant laws, regulations, directions and guidance • Positive contribution to society and the environment 	<ul style="list-style-type: none"> • Significant local value addition across our businesses • Full and timely payment of tax obligations • Compliance to all relevant laws and regulations during the year • Strengthening the Group's bribery and anti-corruption procedure 	<p>Link to material topics Economic performance Government policy Taxation Managing environmental impacts</p> <p>Link to capitals</p>  



COMMUNITIES : Relationships with communities in localities we operate in



Strength of relationship: Good



METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Press releases and other publications
- Meetings with community representatives

Receiving feedback


- Meetings with beneficiaries of CSR initiatives and capacity building programmes
- Grievance mechanisms

Integrating feedback to decision-making

Identified community issues are swiftly addressed at operational site level or escalated to Sector Head Office/ Group level if required

Read more about our value creation to communities and the progress made against relevant metrics on page 271

ENGAGEMENT HIGHLIGHTS IN 2023/24

Key topics and concerns raised	Our response	Connectivity across report
<ul style="list-style-type: none"> • Generating employment and economic activity within communities • CSR initiatives and capacity building programmes to address community issues • Environmental preservation and minimising environmental impacts 	<ul style="list-style-type: none"> • Ongoing investments in strategic CSR initiatives across our operations • Monitoring and measuring environmental KPIs to minimise adverse impacts 	<p>Link to material topics Community and livelihood development Managing environmental and ecological impacts</p> <p>Link to capitals</p> 

UNDERSTANDING OUR MATERIAL ISSUES

The Hayleys Group operates in persistently evolving and dynamic environments. An annual, comprehensive materiality assessment enables the Group to identify and continually assess issues that are most material to its business and stakeholders and prioritise matters that need to be addressed. The materiality analysis is conducted at Sector level and aggregated at Hayleys PLC.

DOUBLE MATERIALITY

The Group adopts a ‘double materiality lens’ to determining its material topics, considering the impact on the organisation as well as on economic, social and environmental impacts. The materiality filters have been revised accordingly.

IMPROVEMENTS TO THE MATERIALITY PROCESS

With the adoption of the IFRS Sustainability Reporting Standards, the Group’s materiality assessment tool was further refined by

- Adding material topics of the relevant SASB standards
- Material topics have been grouped into four themes for better clarity

CHANGES TO MATERIALITY

- Increased significance of technology and product innovation, operational efficiency and taxation
- Reduced significance of skill migration in comparison to 2022/23, although it still remains material
- Climate change adaptation added as a new material topic

STAKEHOLDER GROUPS


 Customers

 Business Partners

 Employees

 Government

 Shareholders

 Communities

 Suppliers

ESTABLISH PROCESS PARAMETERS

List of possible material issues is selected as process parameters and a reference point in conducting the materiality assessment by the Group ESG Division.

1 Discussions with Sector leadership teams

2 Evaluation of the Group’s business model and strategic aspirations

3 Stakeholder feedback

4 Emerging risks and opportunities



SECTOR-LEVEL PRIORITISATION OF MATERIAL TOPICS

The issues are prioritised at Sector level using the following filters to assess the relative importance of the topics to stakeholders and the importance to the organisation.

Organisational materiality	Impact materiality
Financial impact	Stakeholder impact
Innovation opportunity	Environmental impacts
Reputation	
Externalities	
Strategic link	
Risk	



AGGREGATION AT HAYLEYS PLC LEVEL

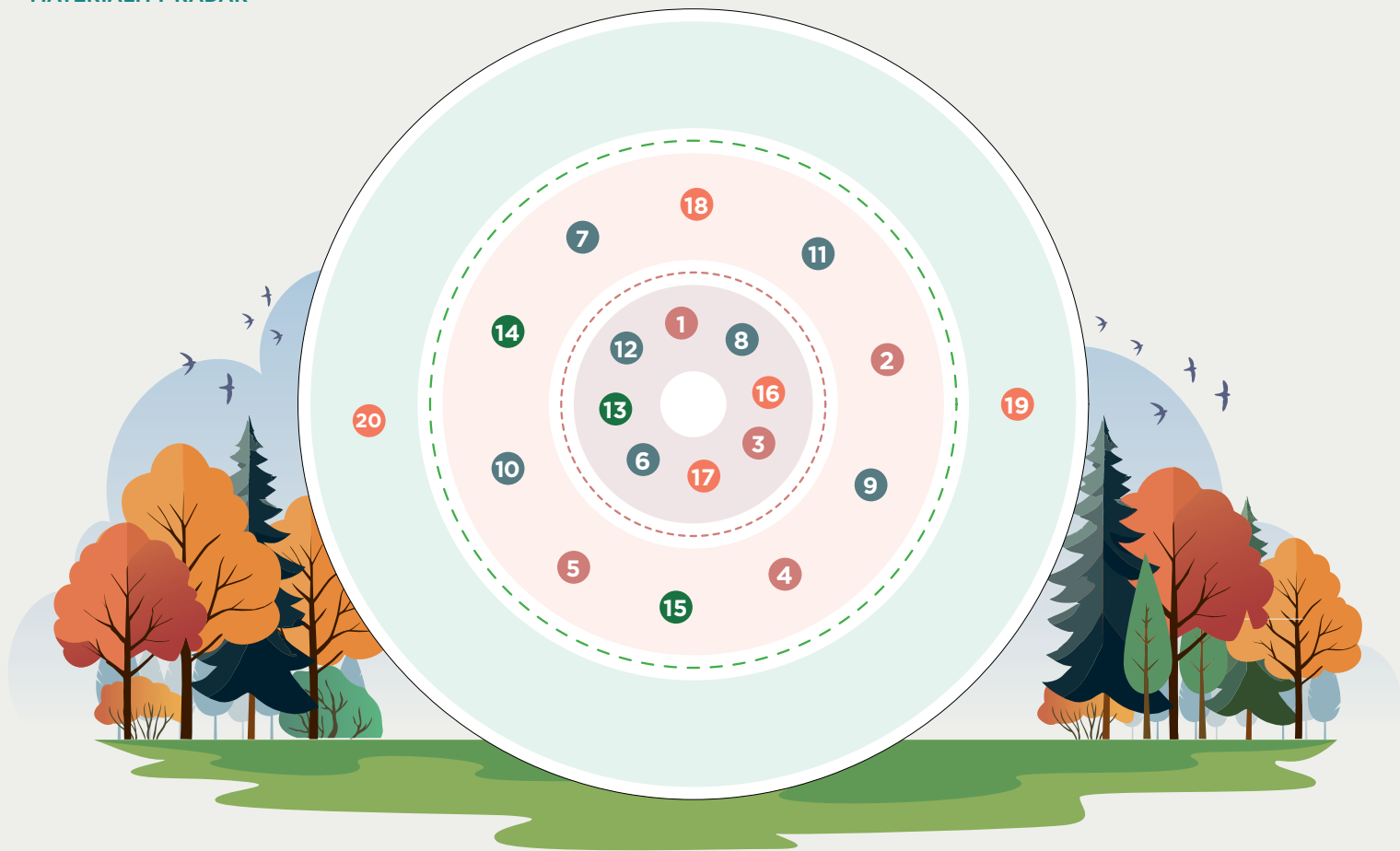
Sector level materiality matrices are aggregated at Hayleys PLC weighted using a suitable metric based on the importance of the Sector to the Group.

Economic factors: Revenue contribution to the Group

Social factors: Headcount of the Sector

Environmental factors: Relative impact to the Group’s carbon footprint and water consumption

MATERIALITY RADAR



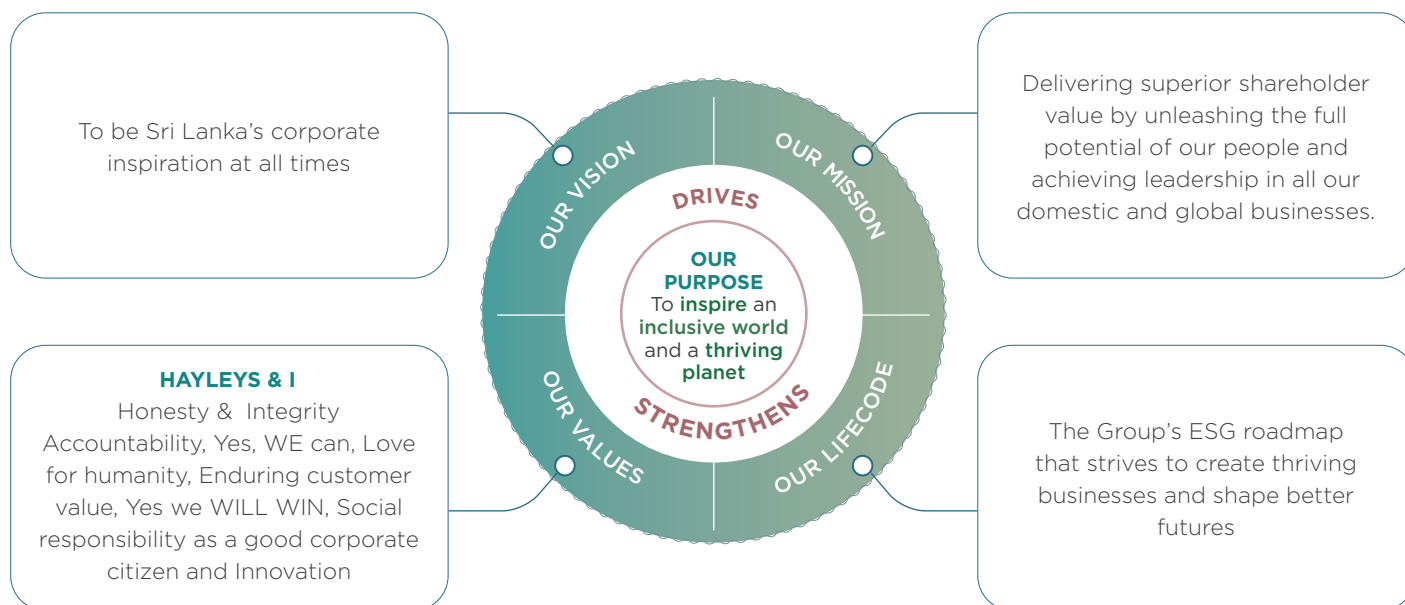
MATERIALITY THEMES

Geopolitical and economic factors	Sustainability and ESG integration
<ul style="list-style-type: none"> 1. Macro-economic impacts 2. Government policy 3. Skill migration 4. Taxation 5. Economic performance 	<ul style="list-style-type: none"> 13. Evolving customer requirements 14. Managing environmental and ecological impacts 15. Best practices along supply chain
Adapting business models	Addressing stakeholder demands
<ul style="list-style-type: none"> 6. Customer satisfaction 7. Manufacturing capabilities 8. Technology and product innovations 9. Climate change adaptation 10. Energy cost 11. Energy consumption 12. Operational efficiency and productivity 	<ul style="list-style-type: none"> 16. Product quality and responsibility 17. Employee well-being 18. Employee value proposition 19. Community and livelihood development 20. Principal relationships

PURPOSE-LED STRATEGY

The Group's overarching strategic aspirations are aligned to its corporate purpose. While Sectors adopt unique strategies which reflect the risks, opportunities, and core competencies of each business the Board sets the overall strategic direction. The strategy underpins five pillars, formulated by the Strategic Business Development Unit (SBDU) at Hayleys PLC and cascaded to each Sector under the leadership of the Group Management Committee.

OUR PURPOSE



STRATEGIC DRIVERS



	Portfolio optimisation
	Customer centricity
	Nurturing inspired teams
	Inclusive business models
	ESG integration

GOVERNANCE AND REMUNERATION PRACTICES SUPPORTING STRATEGY

Multiple layers of performance review from sector-level Executive Committees to the Group Management Committee, Board Committees and the Board ensure a high level of monitoring on delivery of strategy. The GMC meets weekly and additional meetings may be called at short notice whenever the need arises. Monthly and quarterly performance is monitored against defined targets, with active debate encouraging the exploration of new ideas and diverse perspectives. The remuneration of GMC members and Sector heads are linked to relevant strategies and KPIs, which are cascaded across relevant functions thereby driving goal congruence across the organisation.

Resource allocation framework

The Group's decisions on allocating resources in driving its strategic aspirations - which includes funding, expertise, people and natural resources is determined through the guidelines set out below:

Alignment to Purpose & Vision	Capabilities and competencies	Financial targets	Risks and vulnerabilities
We invest in opportunities that pave way to fulfil our aspirations of being a force for good in the broader economic, social and environmental context	Adequacy of current capabilities and competencies	The weighted average cost of capital adjusted to the risk premium attached to the relevant sector and business	Existing and emerging risks that are shaping the operating landscape

PERFORMANCE AGAINST STRATEGY



Building resilience through portfolio optimisation

Driving shared prosperity and value creation through building a resilient business portfolio which is centered on diversifying businesses, geographical footprint, customer segments and revenue streams. This has enabled the Group to remain relatively resilient to economic downturns, industry transformation and unforeseen challenges

Widening geographical reach	New manufacturing capabilities	New market and product segments
<ul style="list-style-type: none"> Penetration of new markets by several Sectors including Eco Solutions, Hand Protection, Construction Materials and Tea exports Hayleys Advantis refined its international strategy, directing focus to three selected markets 	<ul style="list-style-type: none"> Capacity expansion in Thailand factory by DPL Purification Sector strengthened manufacturing capabilities in energy storage solutions Agriculture Sector commenced manufacturing of PE pipes for irrigation 	<ul style="list-style-type: none"> Agriculture Sector's entry into poultry (animal health) sector and new market segments in Bangladesh Hayleys Fentons leveraged growth opportunities in the residential solar segment Diversification of services at Hayleys Fentons Hayleys Advantis appointed as General Service Agent for Air India

Capitals impacted and utilised	Measuring success	Performance metric	2024
		Revenue growth (%)	(10)
		EBIT growth (%)	(30)
		Customers acquired (mn)	1.24
		Economic value generated (Rs. bn)	149.84

Plans and prospects



Short-term

- Increased focus on productivity and cost efficiency
- New product applications across new market segments
- Strengthen value-added portfolio
- Develop existing and new export markets

Medium-to-long term

- Roll out Group-wide digital transformation agenda
- Regional investments in selected markets
- Widen product and brand portfolio

PURPOSE-LED STRATEGY

2

Customer Centricity

We aim to deliver innovative, cost-effective and sustainable solutions with excellent customer care across all our sectors to enhance the experience of every customer



Innovation and value-addition

- Value-added product development in key sectors including Eco Solutions, Hand Protection, Purification, Construction Materials
- Increased investments towards strengthening R&D infrastructure and skills



Customer service and engagement

- Strengthening after-sales service in key verticals including Consumer & Retail, Industry Inputs, Power & Energy and Hayleys Fentons
- Proactive engagement with customers through multiple platforms



Catering to customers' increasing sustainability consciousness

- Catering to customers' increasing focus on sustainability through,
 - Obtaining international ESG ratings (DPL)
 - 3rd party verification of carbon footprint
 - Sustainable innovation

Capitals impacted and utilised	Measuring success	Performance metric	2024
		New products launched	624
		Products in pipeline	695
		Complaints resolved (%)	99

Plans and prospects

Short-term

- Strengthen customer acquisition and engagement through digital channels
- Ongoing focus on value-added product offerings
- Customer acquisition in new markets

Medium-to-long term

- Digital transformation to drive better customer service
- Technical product developments through collaborations
- Widen portfolio of sustainable solutions

3

Nurturing Inspired Teams

The people pillar of the Group's strategy centers on building a dynamic, diverse and high-performing team which drives the Group's value creation aspirations



Engagement

- Resumption of year-round employee engagement activities that were halted during the pandemic and economic crisis
- Diversity and inclusion training



Building leadership capabilities

- Multiple sectors engaged in leadership development programmes
- Succession planning and building talent pipelines



Employee well-being

- Launch of 'Momentum'- with the aim creating a family friendly workplace
- Range of mental and physical well-being interventions offered to employees

Capitals impacted and utilised	Measuring success	Performance metric	2024
		Employee retention rate (%)	74
		Average training hours	10.19
		Value added per employee (Rs.mn)	1.46
		Female representation (%)	35

Plans and prospects

Short-term

- Group-wide diversity and inclusion training to be rolled out
- Focus on talent retention through employee engagement and enhanced value proposition
- Focus on employee well-being

Medium-to-long term

- Development of leadership tiers and succession planning
- Digitalisation of HR processes

4

Inclusive Business Models

Create secure, sustainable and efficient ecosystems which uplift livelihoods and empower communities

**Capacity development in ecosystems**

- Strengthening capabilities across outgrower networks
- Fabricator training programmes by Alumex PLC
- Skill building through Singer Fashion Academy, Hayleys Leisure Training Academy and Hayleys Agriculture Training school

**Building resilient supply chains**

- Long-term strategic supplier initiatives including DPL Firstlight and Haycarb Haritha Angara
- Geographical diversification of supply chains by key sectors including Purification, Hand Protection and Tea exports

**Impactful and meaningful CSR engagements**

- Ongoing investments in long-term CSR projects by Sectors including,
 - Home for every Plantation Worker
 - Sisu Divi Pahana
 - Puritas Sath Diyawara: Going beyond
- Community projects targeting education and health and well-being

Capitals impacted and utilised**Measuring success****Performance metric**

Spending of local suppliers	2024
Supplier payments (Rs. bn)	54%
Suppliers developed	325
CSR beneficiaries	1,318
	707,580

Plans and prospects**Short-term**

- Diversification of supply chains
- Propagation of good environmental practices to address climate change

Medium-to-long term

- Strengthen environmental and social screening across supply chains

5

ESG Integration

Embedding ESG considerations across the Group's strategy, business model, processes and decision-making.

**Strengthening ESG Governance**

- Formation of Sector-level ESG Committees across all Sectors
- ESG risk management integrated with existing risk management processes
- Launch of bribery and anti-corruption policy

**Formulation of ESG Roadmaps**

- Sector-level ESG Roadmaps (aligned to the Hayleys Lifecode) formulated by 04 key sectors
- Social and environmental initiatives in line with Hayleys Lifecode

**ESG Reporting**

- Voluntary adoption of SLFRS Sustainability Standards with transitional relief
- External verifications of Annual Reports in all key sectors
- Quarterly reporting of ESG metrics.

Capitals impacted and utilised**Measuring success****Performance metric**

Reliance on renewable energy (%)	2024
Change in energy intensity (%)	68
Change in water intensity (%)	+22
Change in emission intensity (%)	+12
	+14

Plans and prospects**Short-term**

- Group-wide ESG systems and reporting audits
- ESG Roadmaps to be launched by 3 sectors
- Accelerate climate ambitions through investments in renewable energy

Medium-to-long term

- Sustainable innovation to drive increased circularity of operations
- Improve computation of Scope 3 emissions
- ESG ratings across key sectors

OUR OPERATING ENVIRONMENT

Our operating landscape is increasingly interconnected- driven by both traditional and emerging risks such as climate change, technological shifts, growing disparities and cyber threats. This increased volatility has led to a rapidly changing and evolving operating environment. Meanwhile, the Group's diversity enables it to withstand external impacts to a large degree, as the interplay between performance drivers has opposing impacts on sectors.

Sectors Impacted



APPRECIATION OF SRI LANKAN RUPEE

Adverse impacts on export-oriented sectors and positive impacts on import dependent sectors



DECLINE IN INTEREST RATES

Positive implications on borrowing costs



IMPLICATIONS OF CLIMATE CHANGE

Transition-related opportunities for Projects & Engineering, Purification Sector Adverse implications on Sectors exposed to physical risks including Plantations and Agriculture



Red circle denotes negative impact on the Sector and green circle denotes the positive implications of the relevant external factor

KEY DEVELOPMENTS

GEOPOLITICAL DYNAMICS

RELATED RISKS

Geopolitical Risk

IMPACTS

- Supply chain disruptions and implications on costs
- Demand uncertainty
- Implications on commodity and energy prices

STRATEGIC PILLARS

Portfolio optimisation
Customer centricity



Escalating armed conflicts: With active conflicts being at the highest levels in decades, interstate armed conflict has emerged as a new entrant to the World Economic Forum's top global risks for 2024. Underlying geopolitical tensions and an eruption of hostilities led to an unstable global order leading to severe humanitarian crises and rising economic fragility. This has led to, soaring food and energy prices thereby undermining real incomes and triggering economic hardship for vulnerable groups. Implications on businesses have stemmed primarily from supply chain disruptions, shipping delays and increased volatility in commodity prices and demand supply dynamics.

RESPONSE

- Geographical diversification of supply chains and markets
- Focus on reducing lead times through increased agility and operational efficiencies
- Focus on relatively price inelastic value-added propositions



MACRO-ECONOMIC CONDITIONS

RELATED RISKS

Economic risk

IMPACTS

- ⊖ Adverse impacts of exchange rate appreciation on export revenue
- ⊕ Reduction in borrowing costs
- ⊖ Subdued domestic demand

STRATEGIC PILLARS

Portfolio optimisation



Global economic context: The global economy is estimated to have grown by 3.1% in 2023, with several major economies demonstrating resilience to the cost-of-living crisis and geopolitical tensions. Government and private spending contributed towards the growth, driving consumption amidst the faster-than expected decline in inflation. While the USA as well as several major emerging markets and developing economies recorded commendable growth, economic activity in the European region was subdued, reflecting weak consumer sentiments and prolonged impacts of high energy prices.

Sri Lankan economy: Following the harshest economic crisis encountered in decades, the country entered a path of recovery in 2023 characterised by continued disinflation and improved fiscal and external conditions. The recovery was driven by coordinated policy measures by the Government, access to the International Monetary Fund's Extended Fund Facility (IMF-EFF) and political stability.

Although the economy recorded an overall contraction of 2.3% in 2023, the second half of the year posted a turnaround with agriculture, industry and services recording growth y-o-y. Growth was driven by improved harvests across key crops, surge in tourist arrivals gradual deceleration of inflation. Consumption, however, declined by 2.2% in 2023, with the still high prices and constrained fiscal space impacting private and public sector spending respectively.

Monetary policy: Inflation which peaked in September 2022 recorded rapid deceleration reaching lower single-digit levels by 2023 supported by lower fuel prices, improved supply dynamics and relatively subdued

demand. As inflation eased, the Central Bank adopted an expansionary monetary policy for the first time in two years reducing the policy rate and the statutory reserve ratio resulting in market interest rates falling below 15%.

Exchange rate dynamics: After significant depreciation in 2022, the Sri Lankan Rupee appreciated by 8% against the US Dollar in 2023, reflecting improved liquidity conditions stemming from tourism earnings, net inflows to the services sector and a rebound in workers' remittances.

Following approval of the International Monetary Fund's Extended Fund Facility programme of USD 3.0 bn, a total of USD 670 million was disbursed in two tranches in March and December 2023.

Key elements of the Government's Domestic Debt Optimisation programme was concluded in September 2023. The Government is also currently in negotiation with external creditors to obtain relief on external debt and in November 2023, an in-principle agreement was reached between the Official Creditors Committee (OCC) and the China Exim Bank. Negotiations are also ongoing with external commercial creditors.

OUR OPERATING ENVIRONMENT

	Sri Lanka	
	2023	2022
GDP growth (%)	(2.3)	(7.3)
Per capita GDP (USD)	3,830	
Year-end exchange rate (Rs/USD)	323.92	363.11
AWPR (%)	12.13	27.24
Fiscal deficit (% of GDP)	(8.3)	(10.2)
External debt (% of GDP)	65	64.5
Growth projection for 2024%	+1.9	+2.7

RESPONSE

- Geographical diversification of operations through regional expansion
- Proactive and timely management of pricing strategies to mitigate exposure to exchange rate volatility
- Measures to safeguard employees and ensure their financial security

TECHNOLOGY



IMPACTS

- ➖ Opportunities in efficiency and productivity improvements
- ➖ Increased cybersecurity and reputational risks
- ➕ Embracing new ways of working

STRATEGY

Portfolio Optimisation
Customer Centricity

Technological developments: Advances in technology and emergence of new capabilities such as data analytics, robotics, blockchain technology and artificial intelligence offer considerable opportunities for organisations to drive efficiencies while adopting new ways of working.

Escalating cybersecurity vulnerabilities: The ubiquity of technology has led to increased vulnerabilities to Cyber-attacks and loss of data, requiring organisations to invest in security systems and infrastructure.

Misinformation and disinformation: The proliferation of sophisticated technologies has accelerated the risk of information manipulation. Easily accessible AI interfaces have enabled the surge in falsified and misleading information, with increased scale, reach and efficacy. For governments, risks stem from widening political and societal divide, often leading to polarisation and undermining of elections. For organisations the ubiquity of social media and failures of platforms to ensure information integrity can lead to considerable reputational risks.

RESPONSE

- Roll-out of digital roadmap to leverage advances in technology to drive efficiencies and enrich decision making
- Strengthen digital reputational management
- Leverage online presence to drive customer acquisition and business growth

HUMAN CAPITAL DYNAMICS AND WAYS OF WORKING

RELATED RISKS

High staff turnover and employee relations

IMPACTS

- Challenges in employee attraction and retention
- Opportunity to adapt new and agile working models

STRATEGY

Nurturing Inspired Teams



Talent migration and brain drain: While migration-related employee turnover decelerated in comparison to the previous year, talent retention remains a key challenge for organisations with the country's recent economic woes prompting an exodus of young professionals from the country. This has added pressure on remaining individuals and teams, requiring them to manage the same workload with restricted resources.

Changing aspirations of younger generations: With Gen Z employees expected surpassing baby boomers by mid-decade, the values, aspirations and expectations of the workforce is undergoing significant change. These dynamics include expectations of continuous change, increased emphasis on work-life balance and different perspectives on loyalty to organisations.

Importance of diversity, equity and inclusion (DEI): Employees are increasingly demanding organisations to embrace diversity, equity and inclusion in creating more conducive work cultures. Diverse workplaces foster increased creativity and richer insights, contributing towards high-performing cultures.

RESPONSE

- Strategic focus on leadership development and succession planning
- Resumption of employee engagement activities
- Introduce measures to create a family-friendly workplace Refer to page 262 for further information



THE CLIMATE CRISIS

RELATED RISKS

Physical and transitional risks of climate change

IMPACTS

- Direct implications on yield and production quantity of Agriculture and Plantations Sector
- Disruptions along supply chains which rely on agricultural material

STRATEGIC PILLARS

ESG integration



Escalating implication of climate change: Implications of climate change including erratic weather conditions, rising temperature and natural disasters are becoming increasingly frequent, impacting value chains, agricultural commodities, communities and organisational performance.

Global shift to a low-carbon economy: Transitional risks are featuring increasingly prominently in risk landscapes and include emerging sustainability related regulations, buyers' increasing eco-consciousness, energy policies and energy pricing among others.

Biodiversity loss: Unprecedented ecosystem and biodiversity loss, caused by human activity including land use, bio degradation and climate change. has a direct impact on businesses through affecting raw material availability and driving increases in commodity prices.

RESPONSE

- Sector-level carbon reduction goals including commitment to SBTi by 3 companies
- Group-wide push towards renewable energy
- Numerous biodiversity initiatives conducted by sectors



STRATEGIC ESG INTEGRATION

As an organisation with intricate and deeply-rooted linkages with nature and society, sustainability has always been part of Group's DNA. In recent years, however, Hayleys has sought to embrace ESG in a strategic manner, integrating environmental, social and governance considerations across all aspects of its strategy, processes and decision-making. On the one hand, we are acutely aware of the need to effectively manage increasingly pronounced ESG risks in building a more resilient business model; on the other hand, as a Group we understand that climate change is the defining challenge of this generation and regaining balance with nature will require rapid, deep and sustained mitigation and adaptation measures. The Group's sustainability context and the disruptive forces that are shaping it is graphically illustrated below:

CLIMATE CHANGE

Escalating implications of climate change have led to increased vulnerabilities to physical risks (such as operational impacts of natural disasters and impacts on agricultural produce among others)

WIDENING INEQUALITIES

Widening economic and social inequalities can constrain consumer spending and growth, disruption supply chains and affect businesses' social license to operate

TRANSITION TO A LOW CARBON ECONOMY

Transition risks arising from society's response to climate change including technological changes, regulations and viability of existing products and services

HUMAN RIGHTS

Increasing focus on preserving workplace rights including discrimination, privacy and security as well as safeguarding human rights across supply chains

LOSS OF BIODIVERSITY

The accelerated destruction of ecosystems and species impacts supply chains and can drive higher volatility of raw material costs

IMPACTS OF PRODUCTS AND SERVICES

Following the 'eco-awakening' of customers, social and environmental impacts of products are emerging as key considerations in the purchasing decision

WATER STRESS

Sri Lanka is reaching critical levels of water stress, with the FAO estimating water stress to be 90.8%. Further stress could lead to considerable impacts on agricultural value chains and water-intensive sectors

DIVERSITY AND EQUITY

The growing recognition that a diverse and inclusive workforce can strengthen decision-making, improve engagement and attract and retain talent



ESG INTEGRATION: AMBITION TO ACTION

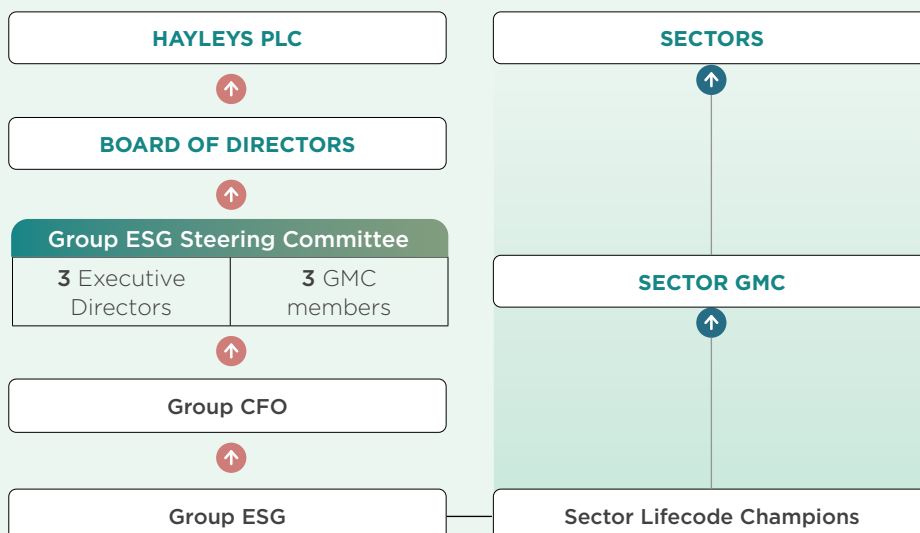


ALIGNMENT OF PURPOSE, GOVERNANCE AND STRATEGY:

Corporate Purpose: The Corporate Purpose of 'Inspiring an Inclusive World and a Thriving Planet' embodies its aspirations to be a force for good in the broader economic, social and environmental context, thereby aligning directly with the Group's ESG agenda

ESG Governance: The Board is the highest decision-making authority in the Group and has overall responsibility for formulating the Group's sustainability-related policies and goals and implementing the Group's ESG Framework. The Board has established an ESG Steering Committee in discharging its sustainability and ESG related duties and during the year, ESG Committees were established at Sector-level, facilitating deeper analysis of industry-specific ESG developments.

Strategy Formulation: Following the launch of the Group's ESG Roadmap-the Hayleys Lifecode in 2022, several key sectors rolled out their sector-specific ESG strategies in line with the aspirations of the Lifecode. The Sector-specific roadmaps set out clear targets, actions and deliverables for environmental, social and governance aspects.



SECTORS WHICH LAUNCHED ESG ROADMAPS IN 2023/24

- Hand Protection-DPL Pulse
- Purification- Activate
- Transportation-Helios
- Eco Solutions-Entwine

DEVELOPMENTS IN 2023/24

Formation of Sector-level ESG Committees with the following mandate;

- Provide oversight and monitor the execution of ESG strategies
- Identify ESG related risks, opportunities and impacts and recommend response
- Review and provide guidance on ESG related policies and programmes
- Receive updates at least quarterly or as and when required, on ESG matters including progress against targets, key KPIs and strategy implementation.

ESG INTEGRATION: AMBITION TO ACTION

TARGETS AND MEASUREMENTS

Monitoring metrics: Performance against the Lifecode targets as well as other social and environmental metrics are tracked through the Hayleys CUBE- the Group's sustainability information portal. The web-based system enables over 400 users across the Group's operating locations to submit relevant social and environmental information quarterly, which is aggregated and reported to the ESG Steering Committees at both Sector level and Group level.

Data integrity: In addition to controls built into the CUBE system, which includes multiple levels of approval and error flagging, the integrity of the non-financial information is ensured through third-party assurance (as part of the Integrated Reporting assurance).

ESG IN PRACTICE

ESG is embedded across organisational processes and decision-making, as described furthermore in the Portfolio Reviews and Capital Management Report on pages 114 to 245 respectively. Key mechanisms of embedding ESG include the following:

- Quarterly monitoring of performance against ESG targets
- Consideration of ESG aspects in key investment decisions
- ESG risks are assessed quarterly and submitted to the Audit Committee
- Awareness and culture building through employee induction and ongoing programmes

TRANSPARENCY AND ENGAGEMENT

ESG Reporting: As detailed on page 9 of this Report, the Group's sustainability and ESG reporting complies with multiple international and local sustainability reporting frameworks. Hayleys PLC is frequently recognised for excellence in corporate reporting, both in domestic and regional reporting competitions. A combined assurance model (as detailed on page 9) is used to ensure the integrity of the quantitative and qualitative disclosures in the Report.

Collaboration and knowledge sharing

As industry pioneers in sustainability across several of our verticals, the Group plays an active role in collaborating with like-minded organisations and communities to advance sustainability efforts. These collaborations have facilitated the leveraging of diverse expertise, knowledge sharing and innovation and enabled the scaling of impact.



214

Locations

68

Indicators tracked

CROSS-SECTOR NETWORKS

Hayleys PLC, together with 9 companies within the Group are members of the United Nations Global Compact

ACADEMIC-INDUSTRY PARTNERSHIPS

Partnerships with universities and other academic bodies in developing and implementing sustainable technologies, products and practices








KNOWLEDGE SHARING





- International Plantations Sustainability Summit 2023
- Congress for Sustainable Materials 2024
- Supplier development forums across our verticals

MULTI-STAKEHOLDER INITIATIVES

- Hayleys Plantations partnership with WNPS PLANT to enrich forest ecosystems and biodiversity
- KVPL partnership with IUCN and the Government to protect habitat connected to Kelani River Weoya catchment- Surakimu Ganga program
- Hayleys Advantis collaboration with Department of Wildlife Conservation, CEA and WNPS to accelerate the regeneration of mangroves

DELIVERING RESULTS

FOCUS AREAS- ENVIRONMENT				
	Climate action	Biodiversity	Water	Materials and waste
Target	30% reduction in Scope 1&2 GHG emissions by 2030	Increase biodiversity enhancing programme to cover 5 times the area occupied by the Group	50% sustainable water sourcing	Zero waste to landfill
	90% sustainable and renewable energy applications		75% total wastewater recycled and reclaimed	30% recycled/reclaimed material usage
	30% reduction in energy intensity		30% reduction in water intensity	
Reference to further information	Natural Capital Portfolio Reviews	Natural Capital Portfolio Reviews	Natural Capital Portfolio Reviews	Natural Capital Portfolio Reviews
Performance	<p>2% increase in GHG emissions (2% reduction in emissions excluding the new acquisitions during the year)</p> <p>68% Sustainable and renewable energy applications</p> <p>22% increase in energy intensity</p>	69,382 trees planted	<p>49% Sustainable water sourcing</p> <p>14% Total wastewater recycled and reclaimed</p> <p>16% increase in water intensity</p>	Improved reporting and monitoring of waste
Relevant SDG	 			

FOCUS AREAS- SOCIAL					
	Engaged team	Health, safety and well-being	Supplier relationships	Customer relationships	Community relationships
Target	5% attrition rate across the Group	Zero significant workplace injuries/diseases!	40% of suppliers to be screened on social and environmental criteria	Customer satisfaction surveys and grievance mechanisms across 100% of operations	50% increase in CSR beneficiaries
	Each employee to receive an average of 40 hours training		All Sectors to establish at least one supplier development programme		
	100% employees to receive performance appraisals				
Reference to further information	Human Capital Portfolio Reviews	Human Capital	Social & Relationship Capital	Social & Relationship Capital Portfolio Reviews	Social & Relationship Capital Portfolio Reviews
Performance	<p>14% Attrition rate</p> <p>10.19 Average training hours per employee</p>	390 Injuries- first aid cases	3 Sectors engaged in strategic supplier development programmes	99% customer complaints resolved	707,580 CSR beneficiaries
Relevant SDG					

RISKS & OPPORTUNITIES

The Group's risk and opportunity landscape is shaped by the political, economic, social, technological and environmental context in which it operates. The increasingly dynamic and rapidly evolving environment underscores the importance of a proactive and agile approach towards risk management, which can drive long-term value creation through building a more resilient operating model.

The global order during the year was characterised by underlying geopolitical tension, active hostilities in several regions and escalation of climate change implications- both in terms of scale and intensity of impact. On the domestic front, economic fundamentals recorded a gradual improvement following the unprecedented economic crisis of last year; inflation and interest rates tapered off, the Sri Lankan Rupee strengthened and the country's reserve position improved reflecting difficult but necessary policy choices.

WIDENING THE LENS OF RISK

The issue of the IFRS S1 and S2 Sustainability Disclosure Standards in June 2023 compels organisations to

widen its risk lens through requiring the disclosure of material information relating to the financial implications of sustainability-related risks and opportunities.

A phased approach: The Group is cognisant that truly embedding this new dimension of risk to our processes, controls and most importantly, the risk culture will require adequate time. Accordingly, this year, the Group has focused primarily on climate-related risks and opportunities with the relevant reporting structures and identification mechanisms being implemented across the Sectors.

Connectivity of risks: Sustainability risks are typically pervasive in nature, demonstrating interactions across other types of risks. By adopting a unitary risk framework which integrates ESG risk assessments with existing business risk processes, the Group seeks to better understand these interactions, thereby providing leadership with the insights required to embed sustainability considerations into strategic decision-making.

Time horizons: The time horizons in which the Group classifies its short,

medium and long-term SRROs and CRROs are as follows; short term (less than 1 year), medium term (1-5 years) and long term (over 5 years)

Interaction of risks

The following infographic demonstrates the link between these strategic, operational and other risks and the climate-related risks identified above. The size of the circle represents the magnitude of the risk.

HOW HAYLEYS VIEWS SRROS

INSIDE OUT



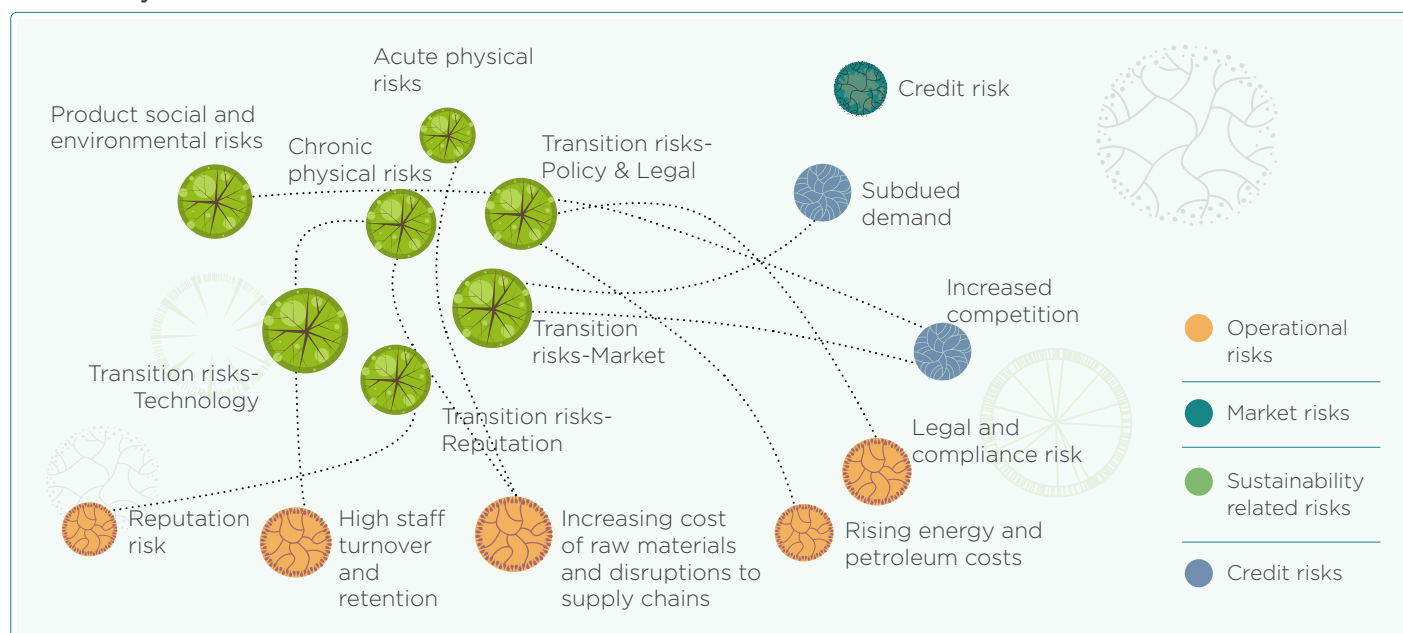
How external sustainability issues affect the Group's financial performance

OUTSIDE IN



The Group's impacts on the environment and society

Connectivity between risks



APPROACH TO RISK MANAGEMENT

The Group's Enterprise Risk Management framework supports strategic and operational resilience as we pursue our strategic aspirations and deliver stakeholder value through economic cycles. The Group follows a bottom-up approach to identify, prioritise and mitigate risks- which is subject to quarterly review to ensure completeness, relevance, robustness of mitigating actions as well as Board oversight.

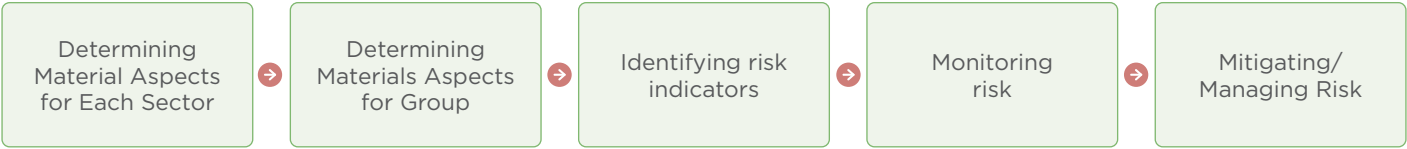
Risk Governance

The Board serves as the focal point for management of risk and is assisted by the Audit Committee in discharge of this duty. The diverse business sectors of the Group have high levels of autonomy in driving their businesses with Group governance structures playing a key role in harmonizing policies, sharing best practice, guiding strategic direction, managing risks and optimising resource allocation across the Group as depicted below. The Group also adopts the three-lines of defense model (as illustrated below) which ensures effective segregation and discharge of duties.



RISKS & OPPORTUNITIES

The Group adopts the COSO Framework in assessing potential risks which are ranked and prioritised based on impact and likelihood of occurrence. The risk management process is as follows;



SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES (CRRO)

- Roles and responsibilities: The Group ESG Steering Committee is responsible for the management of sustainability and climate-related risks and opportunities CRROs including formulating response strategies and assessing progress against the Group's ESG roadmap (including the climate strategy).
- Sector-level ESG Steering Committees were established during the year under review, facilitating more focused and systematic management of industry-specific SRROs and CRROs
- Risk identification: Self-assessment of ESG risks and opportunities at Sector level through ESG risk templates
- Data inputs: An array of operational data and non-financial performance indicators (based on reporting frameworks) which are monitored on a monthly basis

Roadmap for progress in managing SRROs

	Where we are now	Where we want to be
Maturity of SRRO and CRRO practices	Basic systems for identifying SRROs and CRROs, based primarily management insights	Proactive identification, assessment, quantification and management of SRROs
Integration	Risk and compliance as the second line of defense	Risk and compliance of SRROs embedded in the business value and chain
Strategic value enabler	Fragmented approach in incorporating ESG into risk management	ESG as an enabler in driving strategic value

INTEGRATED THINKING & EFFICIENT RESOURCE ALLOCATION

Several Hayleys PLC Centre functions monitor external developments and a variety of internal factors for early warning signs of threats and opportunities to align plans and ensure strategic relevance. The following functions come together at Group level to identify risks and opportunities and to mitigate them and manage them. The Group Management Committee plays a critical role as well, providing insights in to diverse areas of expertise, enabling early identification of potential risks, sometimes when it's just a whisper. The diagram below sets out the effective risk management structure of Hayleys Group, reflecting the evolving nature of this increasingly important function.

Department & Area of Focus

CORPORATE AFFAIRS UNIT

- Manages Group financial performance and resilience
- Monitor external landscape to identify emerging threats including impending regulations, pressure points and evolving customer considerations

GROUP HEAD OF RISK AND INSURANCE

- Formulation and negotiation of the Group's insurance programme
- Monitoring risk exposures across the Group

MANAGEMENT SYSTEM AUDIT & REVIEW DEPARTMENT (MSA&RD)

Manage risks at a strategic level whereas MSA&RD approach it primarily from a risk mitigation and management perspective

Responsible for collating risk registers, constructively challenging them and presenting to Group Management Committee, Audit Committee and Board



STRATEGIC BUSINESS DEVELOPMENT UNIT

- Monitoring the PESTEL factors to identify new opportunities as well as assess risks related to the opportunities
- Review risk from a portfolio perspective



PESTEL ANALYSIS

Political

Economic

Social

Technological

Environmental

Legal

GROUP TREASURY

- Management of Group liquidity including Foreign Exchange liquidity
- Managing Group funding including costs of funding

GROUP SOURCING

- Manage risks across the supply chain and ensure availability of raw materials
- Ensure that finished goods are shipped out on time





GROUP IT





- Responsible for safeguarding the digital infrastructure and information assets of the Group
- Surveillance to assess cyber threats
- Cybersecurity





RISKS & OPPORTUNITIES

TOP RISKS OF 2023/24

Market risks

Economic Risk						Foreign currency and rate risk					
Impact	3	Likelihood	3	Risk rating FY 2023	9 9	Impact	3	Likelihood	3	Risk FY 2023	9 9
Strategic pillar 		Portfolio optimisation/Customer centricity				Strategic pillar 		Portfolio optimisation/Customer centricity			
Capitals impacted 		Financial				Capitals impacted 		Financial			
Material matters		Government policy/macro-economic risk				Material matters		Macro-economic risks			
Context and potential impact Economic instability stemming from upcoming elections which could lead to impacts on fiscal policy and reform implementation						Context and potential impact Implications of exchange rate volatility on both transaction and translation risk. The recent appreciation in the Sri Lankan Rupee has impacted performance of export businesses through reduced global competitiveness					
Mitigating actions <ul style="list-style-type: none">Reduce dependency on domestic market through expanding export-orientationMaintain strong relationships with stakeholders, lobby groups and banks						Mitigating actions <ul style="list-style-type: none">Forward foreign exchange contracts in hedging payables and receivablesUse of currency swaps in managing the forex riskClose monitoring of forex movements to adopt hedging					





Geopolitical risk						Liquidity and financial stability					
Impact	2	Likelihood	2	Risk rating FY 2023	4 2	Impact	2	Likelihood	3	Risk FY 2023	6 9
Strategic pillar 		Portfolio optimisation/Customer centricity				Strategic pillar 		Portfolio optimisation/Nurturing inspired teams			
Capitals impacted 		Financial/S&R				Capitals impacted 		Financial/S&R			
Material matters		Geopolitical dynamics				Material matters		Geopolitical dynamics			
Context and potential impact Implications of the global escalation in geopolitical tensions and armed conflict including potential trade sanctions, supply chain disruptions, rate volatility and demand fluctuations. During the year 54% of the Group's turnover was derived from exports						Context and potential impact With 46% of the Group's Revenue derived locally and manufacturing facilities across the island, local political instability can have a direct and significant impact on continuity of operations					
Mitigating actions <ul style="list-style-type: none">• Pursuing increased diversification of export markets• Focused growth in selected markets• Value-added product propositions which are relatively price inelastic						Mitigating actions <ul style="list-style-type: none">• Revenue diversification through focus on export markets• Geographical diversification of operations					





Increased competition						Subdued demand					
Impact	2	Likelihood	1	Risk rating FY 2023	2 2	Impact	2	Likelihood	3	Risk FY 2023	6 6
Strategic pillar 		Portfolio optimisation/Customer centricity				Strategic pillar 		Portfolio optimisation			
Capitals impacted 		Financial/S&R/IC				Capitals impacted 		Financial/S&R			
Material matters		Evolving customer requirements				Material matters		Geopolitical dynamics			
Context and potential impact Players in the Asian region in most of our verticals have ramped and production, with oversupply conditions leading to intense price competition. This can impact both the domestic and export markets.						Context and potential impact Adverse implications of reduced disposable incomes and purchasing power on domestic demand. Declining growth in the global economy amidst fears of recession could impact demand from major international markets.					
Mitigating actions <ul style="list-style-type: none">Aggressive client acquisition in new and existing export marketsDiversification of export marketsDifferentiating customer value proposition to sharpen competitive edgeAccessing new markets through unlocking value of strategic ESG						Mitigating actions <ul style="list-style-type: none">Diversification across markets and product categoriesForward contracts with buyersNew customer acquisitionStrengthening distribution capabilities in major markets					

OPERATIONAL RISKS

High staff turnover and employee relations						Compliance risk					
Impact	2	Likelihood	2	Risk rating FY 2023	4 4	Impact	2	Likelihood	3	Risk FY 2023	6 9
Strategic pillar		Nurturing inspired teams				Strategic pillar		ESG integration/Portfolio optimisation			
Capitals impacted		Financial/Human				Capitals impacted		Financial/S&R			
Material matters		Employee value proposition/Skill migration				Material matters		Product quality and responsibility/ Taxation			
Context and potential impact						Context and potential impact					
Loss of skilled employees from the country due to prevalent economic conditions and resultant talent migration.						Compliance to all relevant laws and guidelines is essential in ensuring business continuity, preserving reputation and customer retention. Regulatory requirements from the sustainability/ESG sphere continue to escalate, particularly from the EU.					
Mitigating actions						Mitigating actions					
<ul style="list-style-type: none">Enhancing employee value proposition through an array of retention, welfare and development strategiesProactive and close engagement with employees to ensure that concerns are swiftly identified and addressed						<ul style="list-style-type: none">Clear and defined allocation of responsibilities at Sector level and Centre functionsRegular compliance training					









RISKS & OPPORTUNITIES

Rising energy and petroleum costs						Increasing cost of raw materials and disruptions to supply chains					
Impact	3	Likelihood	2	Risk rating FY 2023	6 9	Impact	2	Likelihood	3	Risk FY 2023	6 9
Strategic pillar 		Portfolio optimisation/ESG integration				Strategic pillar 		Portfolio optimisation/Inclusive business models			
Capitals impacted 		Financial/Manufactured				Capitals impacted 		Financial/S&R			
Material matters		Energy consumption/Energy cost				Material matters		Best practices along supply chain/Operational efficiency and productivity			
Context and potential impact Sri Lanka's electricity tariffs were increased considerably in 2023 with major implications on transport and manufacturing costs. Sri Lanka's anticipated transition to a low-carbon economy could result in further increases in fossil-fuel based energy pricing.						Context and potential impact Potential volatilities in commodity prices and supply chain disruptions amidst global geopolitical tensions could exert pressure on margins and affect visibility of future performance.					
Mitigating actions <ul style="list-style-type: none">Increased focus on renewable energy to reduced dependence on fossil fuelsMaintaining adequate stocks/inventory of fuel						Mitigating actions <ul style="list-style-type: none">Proactive and daily monitoring of raw material pricingRaw material planning and effective inventory managementDiversification of supply chainsBuilding long-term relationships with suppliers through strategic initiatives					

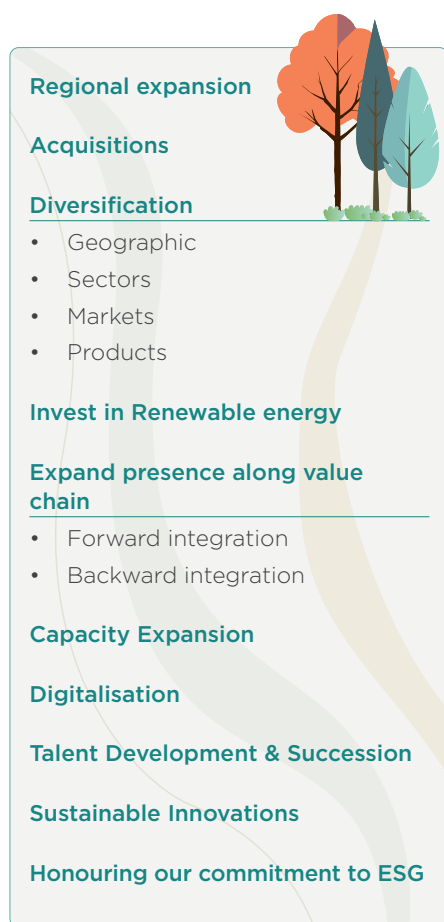
Credit risk					
Impact	2	Likelihood	2	Risk rating FY 2023	4 4
Strategic pillar  		Portfolio optimisation/Customer centricity			
Capitals impacted  		Financial/S&R			
Material matters		-			
Context and potential impact With intercompany receivables of Rs.5.4 bn from subsidiaries and Rs.7.6 mn from associates, non-receipt of receivables could have a significant impact on liquidity. Credit risk from external parties primarily stem from exposure to government receivables					
Mitigating actions <ul style="list-style-type: none">• Close and proactive monitoring on amounts due from subsidiaries and associates• Additional charge on companies which have long-term outstanding receivables					

SUSTAINABILITY-RELATED RISKS

Physical risks of climate change						Transitional risks of climate change					
Impact	3	Likelihood	2	Risk rating FY 2023	6	Impact	2	Likelihood	3	Risk FY 2023	6
Strategic pillar		Portfolio optimisation/ESG integration				Strategic pillar		Portfolio optimisation/Inclusive business models			
Capitals impacted		Financial/Natural				Capitals impacted		Financial/S&R			
Material matters		Climate change adaptation				Material matters		Evolving customer requirements			
Context and potential impact As a Group which has extensive interests in plantations and agriculture as well as a high degree of reliance on agricultural input materials, the Group is directly exposed to physical impacts of climate change including fluctuations in rainfall and precipitation levels, rise in temperatures and increasingly erratic weather patterns						Context and potential impact The Group is exposed to climate-related transition risks, as reflected by increasingly stringent environmental and emission regulations, energy policies and customers' escalating requirements on sustainability					
Mitigating actions <ul style="list-style-type: none">• Close monitoring of weather patterns and potential impacts• Climate adaptation measures across sectors• Environmental targets centered on emission reductions, water consumption and waste management• Strengthen environmental management systems through certifications						Mitigating actions <ul style="list-style-type: none">• Close engagement with clients on identifying and responding to sustainability-related demands• Gradual transition to renewable energy sources					

Water scarcity					Product social and environmental impacts						
Impact	3	Likelihood	2	Risk rating FY 2023	6	Impact	2	Likelihood	3	Risk FY 2023	6
Strategic pillar 		ESG integration				Strategic pillar  		Customer centricity/Inclusive business models			
Capitals impacted  		Financial/Natural				Capitals impacted   		Financial/S&R/Intellectual capital			
Material matters		Managing environmental impacts				Material matters		Evolving customer requirements			
Context and potential impact Sri Lanka is considered a water-stressed country resulting from escalating implications of climate change. With several water-intensive sectors, this could have a significant impact on business continuity and profitability						Context and potential impact Export customers are placing increased focus on sustainability considerations in products including lifecycle emissions, social impacts, responsible sourcing and end-of-life disposal. Inability to keep pace with these requirements could impact market access and competitive edge					
Mitigating actions <ul style="list-style-type: none">• Increase reliance on sustainable water sourcing including rainwater and recycled waste water• Ongoing efforts to increase water efficiency						Mitigating actions <ul style="list-style-type: none">• Assessing product lifecycle emissions across several sectors• Incorporating principles of environmental sustainability, resource optimisation					

RISKS & OPPORTUNITIES



OPPORTUNITIES

An analysis of the PESTLE factors, Group risks and its resources have identified the following potential areas and opportunities for growth.

Regional expansion – The Group is actively pursuing regional opportunities across its key business lines, as it seeks to expand its geographical reach thereby building further resilience.

Acquisitions – The Group has a strong history of growth through acquisition and has a finely-honed team in place for the purpose with the expertise required. A strengthened cashflow position supports our aspirations for growth together with a strong talent pool of leaders and aspiring leaders who are eager for opportunities for

growth. The year under review saw the acquisition of Horana Plantations PLC, further strengthening the Group's position in Plantations.

Diversification – Strategic investments to further diversify the Group geographically and by investing into emerging sectors. Geographical diversification also enables movement to sources of raw material, markets, more favourable business climates and cost structures. It is also a potential opportunity to further strengthen the value proposition of the Group to customers.

Investment in renewable energy – The Group has a portfolio of investments in renewable energy and there are opportunities for investments in this sector in line with the country's long-term power generation plan. Additionally, the increasing cost of fuel and electricity will reduce payback periods of investments in alternative energy solutions at manufacturing locations, supporting investments in solar energy that will reduce dependency on the main grid and fuel.

Expand Presence Along Value Chain – The sectors have potential to widen their presence along the value chain through backward or forward integration, improving synergies, margins, stability of supply chains and market presence.

Expand Capacity – Investments in expanding capacity where there is a sustainable growth forecast is also an option, as it enables us to leverage our knowledge and expertise to drive volume growth.

Digitalisation – This is a key area of focus for the Group as we have had some success in this area as well. Digital applications have become mainstream, benefitting a number of stakeholders and enabling differentiation beyond the product. An inclusive approach to digitalisation

has seen a wide range of stakeholders benefitting from the applications, like tide that lifts all boats. We will be looking to invest in digital applications that builds bridges to understanding and addressing stakeholder concerns.

Talent Pipeline & Succession – A strong talent pipeline supports our growth aspirations, enabling us to invest with confidence as a number of potential leaders remain eager for growth opportunities.

Sustainable Innovation – We innovate products with a purpose and work closely with customers to identify their needs to make them customer centric. It is a key opportunity that has propelled our growth and we will continue to invest in research and development to drive innovation. A number of our products are necessary to address issues such as water and air pollution and environmental degradation. We will continue to stay at the cutting edge of sustainable innovation to drive growth in our businesses.

Integrating ESG – Although we have made progress, there is much to achieve in identifying and capitalising on ESG related opportunities, that will be mutually beneficial for the planet, the people and our bottom line. This is a fast-evolving area of focus as we believe it will unlock value for all stakeholders. We are committed to drive the change that is necessary to achieve our sustainability goals.

PORTFOLIO REVIEW

Expanding our World

Our widespread presence has positioned us to deliver multifaceted value across our sphere of influence. These myriad spaces rely on diverse strategies that fulfill one core purpose – to nurture and protect our stakeholders across every climate and territory in which we operate.

Across the world, different forests are armed with their own unique strategies and structures that enable them to respond to their environment and its respective dynamics. Boreal forests are adapted to thrive in harsh conditions, while tropical rainforests are built to align with environmental fluctuations, and mangrove and kelp forests are built to maintain resilience against turbulence.

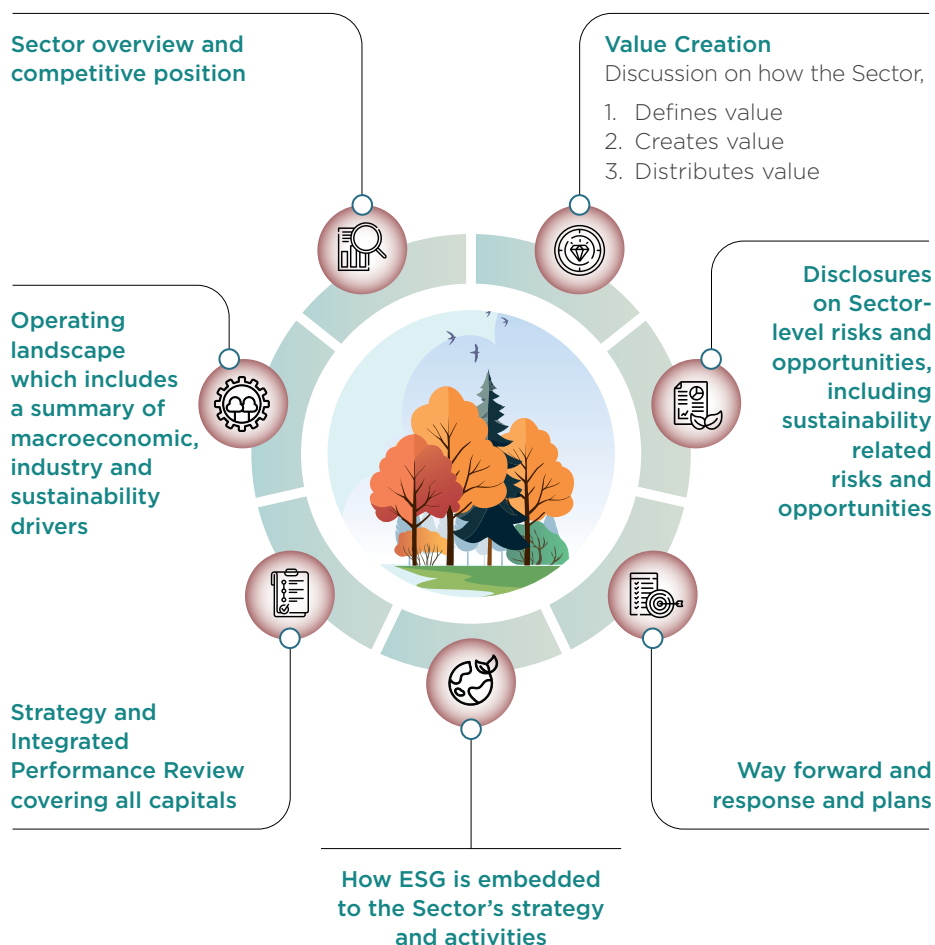


PORTFOLIO REVIEW

The Group's portfolio review set out in the following pages, provides a concise yet comprehensive, yet concise and balanced overview of the value creation of our Sectors for the period under review. In line with the principles of Integrated Reporting, we have included material information relating to the Sectors' resource allocation, strategy, performance, external environment and stakeholder value creation among others.

FEATURED CONTENT IN OUR PORTFOLIO REVIEWS

This year, the in line with the overall theme of our Annual Report the narrative in our portfolio reviews are structured to demonstrate the value creation story of our Sectors.



GRAPHICAL REPRESENTATIONS



Integrated Performance Chart to demonstrate connectivity and trade-offs between the financial, social and environmental performance of each Sector



Sankey Diagram: Visual depiction of how Revenue and Other Income flows are absorbed through costs and other overheads, ultimately generating profit

CHANGES/ IMPROVEMENTS TO THE PORTFOLIO REVIEWS

Improvements to Sector classification

Given changes to the Group's earnings profile and the increasing significance of several sectors, we have reclassified the previous 12 reporting segments into 14 as follows:

- Projects & Engineering (representing Hayleys Fentons and previously reported under the Others segment) presented as a separate cluster
- New reporting segment of Tea Exports (consisting of Mabroc Teas and Martin Bauer Hayleys)

Previous years have been restated to reflect this change

SLFRS S1 and S2 disclosures

Sector-level disclosures on the potential sustainability related risks and opportunities that could impact the Sector. While focus is on climate related disclosures, other SRROs have also been considered

Wider disclosures on the operating landscape

Clarity through materiality

Sector-level disclosures have been carefully selected based on the Group's materiality assessment. Accordingly, only material social and environmental indicators are reported in the Sector review, thereby improving clarity





ECO SOLUTIONS

The Sector is a leading exporter of traditional and value-added coconut fibre products, generating significant local value addition through procurement of various types of coconut coir fibre from local supply chains and manufacturing a range of innovative and sustainable solutions catering to a global network of retailers, industries and households.

ECO SOLUTIONS

Procurement of coconut husks

The Sector injects value across the coconut value chain through procurement of husks, while supporting knowledge transfer and capacity building

Value addition across supply chain

30% smallholder suppliers

Rs. 5.65 bn payments to suppliers

Economic Value

Rs. 828 mn tax contributions
USD. 37 mn forex generated to Sri Lanka

Socio-economic value generation

Local community engagement

1,201 beneficiaries and Rs. 3 mn CSR investment in supporting education, environmental awareness and uplifting livelihoods



Rs. 3.25 bn
Economic value creation



2%
Contribution to Group's value creation

Manufacturing a range of coconut-fibre based products in line with national and international quality standards

Employee value
Rs. 1.46 bn
employee payments
1,119 jobs created
1,666 indirect employees

PRODUCT APPLICATIONS WHICH SHAPE A BETTER FUTURE



Growing media solutions which facilitate plant growth in limited spaces by providing suitable substitutes for plant growth



Erosion control solutions which preserve soil quality and support agriculture



Horticulture products and bedding products which encourage cultivation and home gardening in households



A range of **brushware and floor covering** catering to the needs of industries and households



Revenue
Rs. 13.85 bn
(-9%)



Profit Before Tax
Rs. 68.09 mn
(-97%)



Loss After Tax
Rs. 16.77 mn
(-101%)



Assets
Rs. 19.91 bn
(+7%)



Liabilities
Rs. 8.77 bn
(+14%)



Employees
1,119
(+23%)



Carbon footprint
5,522 tCO₂e
(-22%)

+ denotes y-o-y growth - denotes y-o-y decline

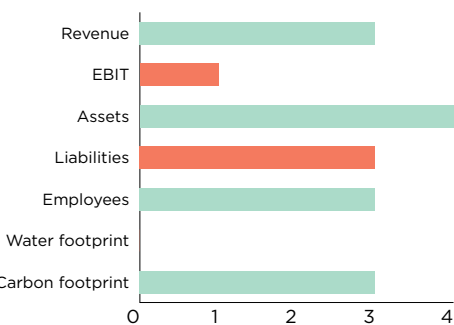
ECO SOLUTIONS



SECTOR OVERVIEW

The Group’s Eco Solutions Sector is a pioneering and leading manufacturer of value-added coconut fibre products, offering an array of tailor-made, innovative and environmentally sustainable solutions across several product categories. The Sector was the first business interest of the Hayleys Group, and has over the past 147 years sharpened its product capabilities, domain knowledge and competitive edge thereby catering to the rapidly evolving requirements of its global customer base.

CONTRIBUTION TO GROUP



ECO FIBRE

Manufacture a range of value-added coir fibre products

Contribution to Sector
Revenue: 67%
PBT: 574%

Performance 2023/24
Revenue: 40% growth
PBT: 73% decline

BRUSHWARE

Pioneer in the brush market, catering to both the local and international markets

Contribution to Sector
Revenue: 15%
PBT: -454%

Performance 2023/24
Revenue: 28% decline
PBT: 452% decline

FLOOR COVERING & MATTRESSES

Manufacturer of coir, rubber, flocked door mats and PU mattresses

Contribution to Sector
Revenue: 18%
PBT: -221%

Performance 2023/24
Revenue: 18% decline
PBT: 420% decline

OPERATING ENVIRONMENT

Global demand dynamics for eco-fibre products remained somewhat subdued during the year, with the retail sector witnessing a downturn in view of unfavourable geopolitical conditions and tightening global monetary conditions. Meanwhile, global geopolitical tensions continued to disrupt global trade flows leading

to oscillating freight rates. While Sri Lanka’s macro-economic conditions stabilised compared to the preceding year, the volatility and appreciation of the Sri Lanka Rupee towards the latter part of the financial year adversely affected exporters. Meanwhile persistently escalating cost of production driven by adjustments to fuel prices and rising labour costs continued to pressure margins, given the highly price sensitive nature of the Sector’s key product verticals. Supply chain dynamics also remained challenging during the year, with Sri Lanka’s coconut industry plagued by escalating implications of climate change, relatively low yields and limited application of technology. The long-term outlook for eco-fibre products, however, remain optimistic, reflecting increased eco-consciousness of customers and more stringent environmental regulations in major export markets.

COMPETITIVE POSITION

A portfolio of **leading brands** including Ravi, Rileys, Hayleys Fibre and Hayleys Mattresses

Over **1000 product varieties** across our key verticals of Eco Fibre (value-added coir fibre products), brushware and floor coverings.

12 manufacturing facilities Overseas Locations including 1 manufacturing location in India, and regional marketing offices in the UK, Netherlands and Japan

The Sector caters to a global base of over **300 customers across 80 markets** ranging from Fortune 500 companies to international supermarket chains and local customers.


7%

 Decrease in Sri Lanka's
coconut production in 2023

8%

 Appreciation of the
Sri Lankan Rupee

13%

 Industry growth
forecast (2021- 2026)

Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Global geopolitical tensions	M	- Subdued demand and disruptions to trade flows
	Gradual decline in interest rates	H	+ Reduction in borrowing costs
Industry context	Escalation in cost of production	H	- Adverse impact on competitiveness and profitability margins
	Increasing demand for growing media products amidst limited availability of land and prevalence towards healthy diets	H	+ Potential for business growth
	Increasing stringency of global environmental regulations	H	+ Growth opportunities in new market segments and applications
Sustainability context	Migration of talent	M	- Challenges in business continuity
	Implications of climate change on coconut crop	H	- Disruptions to the supply chain - Volatility in raw material pricing - Adverse implications on water security
	Escalating customer requirements on sustainability considerations	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies

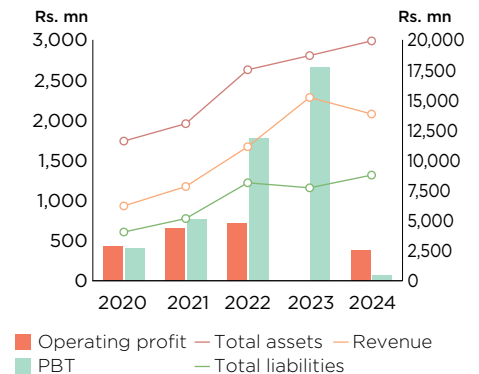
H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector's performance was adversely affected by adverse macro-economic and market conditions during the year, resulting in Revenue and Profit Before Tax declining by 9% and 97% respectively. The Sector demonstrated resilience in the face of global challenges to record a 28% increase in volumes; however top line growth was affected by the appreciation of the Sri Lankan Rupee during the year. Profitability margins were impacted by challenges in passing on cost increases to customers given the price sensitive nature of several products in key verticals. In order to counter these externalities, the Sector placed strategic focus on cost management, process efficiencies and backward integration which softened adverse impacts to a certain extent.

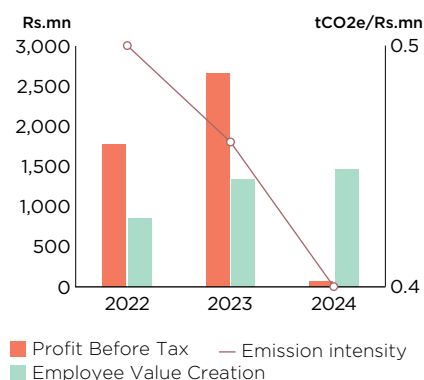
In terms of products, growing media recorded commendable growth supported by favourable demand dynamics and penetration in new markets such as Mediterranean, Middle East and CIS regions. The Sector has strengthened

SECTOR FINANCIAL PERFORMANCE



ECO SOLUTIONS

INTEGRATED PERFORMANCE



its global market position in this category, now ranking within the top 3 exporters in Sri Lanka for value-added growing media. Brushware experienced a challenging year due to subdued demand conditions as well as unfavourable exchange rate dynamics and the Sector focused on sustaining customer relationships in this segment. In floor covering, emphasis was placed on improving product design and quality while increasing efficiencies to offer attractive pricing. Despite a decline in profitability in view of subdued domestic demand, the mattress business performed commendably amidst challenges.

Innovation remains a key priority for the Sector and during the year considerable progress was made in the growing media and value-added fibre products segments. In the former, the Sector launched a specialised range of grow bags for tomatoes, strawberries, cucumbers and chillies. During the year, the Sector also obtained a patent for its new water proof coir pots. New applications in coco fibre, including horticulture, rubberised coir car seats are also showing considerable upside potential and the Sector sought to drive increased penetration in these segments.

Strategic emphasis on proactive inventory planning enabled the Sector to mitigate the impact of supply chain disruptions during the year, although persistent declines in the country's coconut yield and crop poses a significant medium-term risk to the Sector. During the year, the Sector sought to diversify its supply chains through commencing backward integration in the Jaffna region. The Sector has established a palmyrah fibre processing plant in Jaffna, supporting both supply chain security while contributing to socio-economic empowerment of women among these communities.

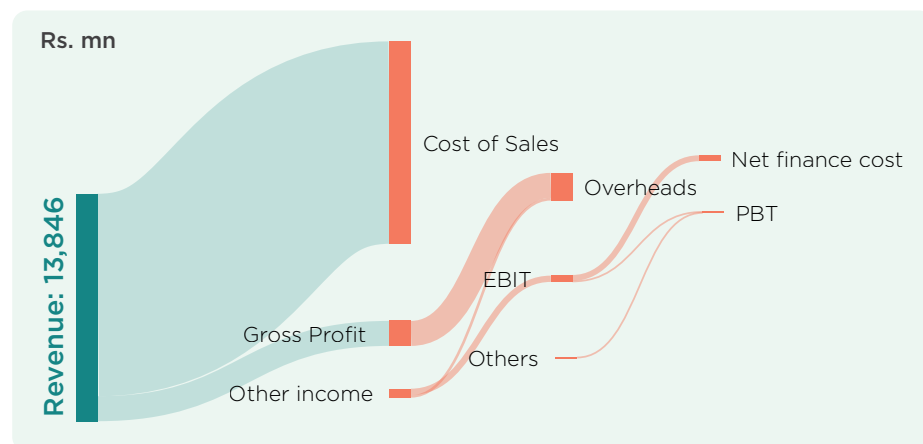
The Sector's people strategy for the year was centered on increasing retention among shop floor teams and strengthening leadership tiers through leadership development programmes and effective succession planning. Rs. 1.19 mn was invested in training and development during the year, with employees receiving a total of 4,880 training hours.

ESG IN ACTION

In aligning its ESG agenda with that of the Hayleys Group, the Sector

launched its 2030 ESG Roadmap, 'Entwine' during the year, marking a step change in its sustainability aspirations. Entwine offers a blueprint for shared responsibility and collective action in embedding environmental and social consciousness into the Sector's strategy and processes, serving as a guiding framework for sustainable business. The Roadmap is directly aligned to the Sector's corporate purpose of "inspiring innovative and eco-friendly living" and centers on the four pillars of nurturing the planet, optimising resources, improving lives and responsible leadership.

- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Sustainable and affordable solutions which address critical environmental issues



SUPPLIERS

Continued demand for material at equitable pricing, technical support and capacity development



GOVERNMENT

Generation of tax revenue, export income and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Resource Allocation

Strategic KPI/ Pre-financials

Market expansion

Rs. 329 mn

Sales and marketing expenses



CIS/ Middle East

New markets entered

60

New customers acquired

Supply chain management

Rs. 202 mn

Investment in backward integration



Rs. 5.94 bn

Payments to suppliers

8

New suppliers added

Strategic integration of ESG

Launch of 'Entwine'- the Sector's ESG Roadmap



67%

Reliance on renewable energy

Rs. 3 mn

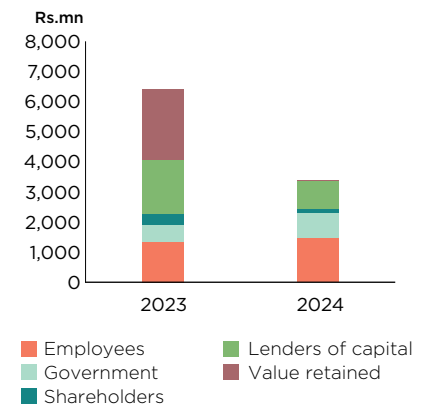
Community investment

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 46% in view of challenging operating conditions
- Payments to employees increased by 9% demonstrating continued commitment to employees.
- Value generated to Governments (in Sri Lanka and overseas) increased by 53%
- Value retained in the business amounted to Rs. 64 mn



VALUE DISTRIBUTION



ECO SOLUTIONS

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	13,846	15,221	(9)	11,131
Earnings before interest and tax	384	2,430	(84)	718
Net finance income/(cost)	(357)	134	(366)	984
Profit before tax	68	2,656	(97)	1,768
Profit after tax	(17)	2,471	(101)	1,500
Assets	19,911	18,694	7	17,515
Liabilities	8,775	7,722	15	8,131
Operating cash flow	(494)	3,555	(114)	(436)
Performance against targets				
	Target	Actual	Reason for variance	
ROE	>10%	-0.2%	Challenging exchange rate dynamics and intense price competition	
Gearing	<55%	41%	In line with target	
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Production volumes (MT)	6,157	4,901	26	6,291
Energy intensity (GJ/Revenue Rs.mn)	9.6	6.4	49	8.3
Water intensity (Litres/Revenue Rs.mn)	1,331	1,195	11	1,347
Carbon intensity (tCO ₂ e/Revenue Rs.mn)	0.4	0.5	(14)	0.5
No. of employees	1,119	908	23	844
Revenue per employee (Rs.mn)	12.4	16.8	(27)	13.2
Remuneration per employee (Rs.mn)	1.3	1.5	(13)	1.0

ESG HIGHLIGHTS



CLIMATE ACTION

The Sector relies primarily on renewable energy (biomass) which has enabled it to gradually reduce its carbon footprint over the years.

	2024	2023	Y-o-y	Target
Energy consumption (GJ)	132,477	97,445	+36	15% reduction in carbon footprint
Carbon footprint (tCO ₂ e)	5,522	7,043	-22	
Reliance on renewable energy	73%	59%	+14%	

WATER SAVING

Improving monitoring of water and focus on efficiency improvements

Target: 15% reduction in water intensity

Actual: 11% Increase reduction in water intensity



SUSTAINABLE PRODUCTS

The Sector's product portfolio consists of innovative and sustainable solutions, which address several emerging environmental problems.

- Erosion control products
- Seedling pads
- Eco-friendly mats with biodegradable properties



EMPOWERING WOMEN ACROSS OUR SUPPLY CHAIN

The Sector has established a palmyrah processing plant in Jaffna providing employment to 12 impoverished women in the region.

PROSPECTS AND PLANS

While demand is likely to be subdued in the near-term reflecting softening global economic conditions, long-term demand dynamics remain favourable, particularly in categories such as growing media, erosion control and horticulture. Exchange rate volatility remains the key downside risk in the near term and lack of predictability on the trajectory of the Sri Lankan Rupee has rendered the short-to-medium term outlook challenging to predict. Meanwhile intensifying pressure from regional counterparts (such as India) could pose a risk in the near term, underscoring the critical importance of Sri Lankan manufacturers driving cost efficiencies and refining business models. The Sector's risk and opportunity landscape is summarised below.

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

⊖ Exchange rate volatility

The continued appreciation of the Sri Lankan Rupee in recent months presents a significant short-term risk to the Sector, with potential impacts on global competitiveness and profitability margins.

Response

Daily monitoring of exchange rate trends and forward booking of contracts and flexible pricing strategies with customers

⊖ Global geo political dynamics

Escalating geopolitical tensions and unprecedented monetary tightening is likely to dampen demand over the short-term

Response

Drive penetration in non-traditional markets

⊖ Relatively high cost of production

Upward revision of fuel prices and escalation in other manufacturing costs could impact the Sri Lanka's competitiveness in the global market

Response

Product and market diversification

Increase contributions from value-added products

+ Increasing demand for growing media

Population growth, increased focus on healthy diets and limited availability of land and soil infertility fuelling demand for growing media products.

Response

Expansion of growing media product portfolio and penetration of markets

+/- Sustainability as a competitive edge

Environmental and social considerations are increasingly featuring in customers' purchasing decisions, presenting both opportunities and risks.

Response

Leveraging sustainability as a competitive advantage to access new markets and customer segments

Sustainability related risks and opportunities (SRRO)

Physical climate risk

Implications of temperature rise and rainfall patterns on coconut production and availability of coconut husk

< 1 year	Implications on moisture content and quality of raw materials
1-5 years	Shortages arising from the decline in nut production and price volatility of materials which in turn will impact profit margins
>5 years	If mitigation measures are not adopted, climate change will lead to significant disruptions of the supply chain
Response	Backward integration and diversification of raw material sources

Increasing stringency of environmental regulations

Increasing stringency of environmental regulations and prevalence towards eco-friendly products, particularly in the European region

< 1 year	Necessity to prepare for implications of upcoming EU regulations (particularly EU Green Deal)
1-5 years >5 years	Pronounced demand for sustainable products and increased compliance requirements
Response	Increased focus on embedding sustainability considerations across the business

Employee safety

As a Sector which is considerably exposed to fire risk due to the combustible nature of the raw material, employee health and safety is a critical concern

< 1 year 1-5 years >5 years	Potential risks on employee safety could impact employee well-being, corporate reputation and ability to attract and retain employees.
Response	Implementation of health and safety systems and procedures through obtaining certifications Upgrade of manufacturing infrastructure and technology

ECO SOLUTIONS

Despite short-term pressures, the Sector will continue to focus on penetrating non-traditional markets, pursuing expansion in new applications and strengthening its position in the domestic market. Building supply chain security through backward integration will also remain a key priority over the short-to-medium term.

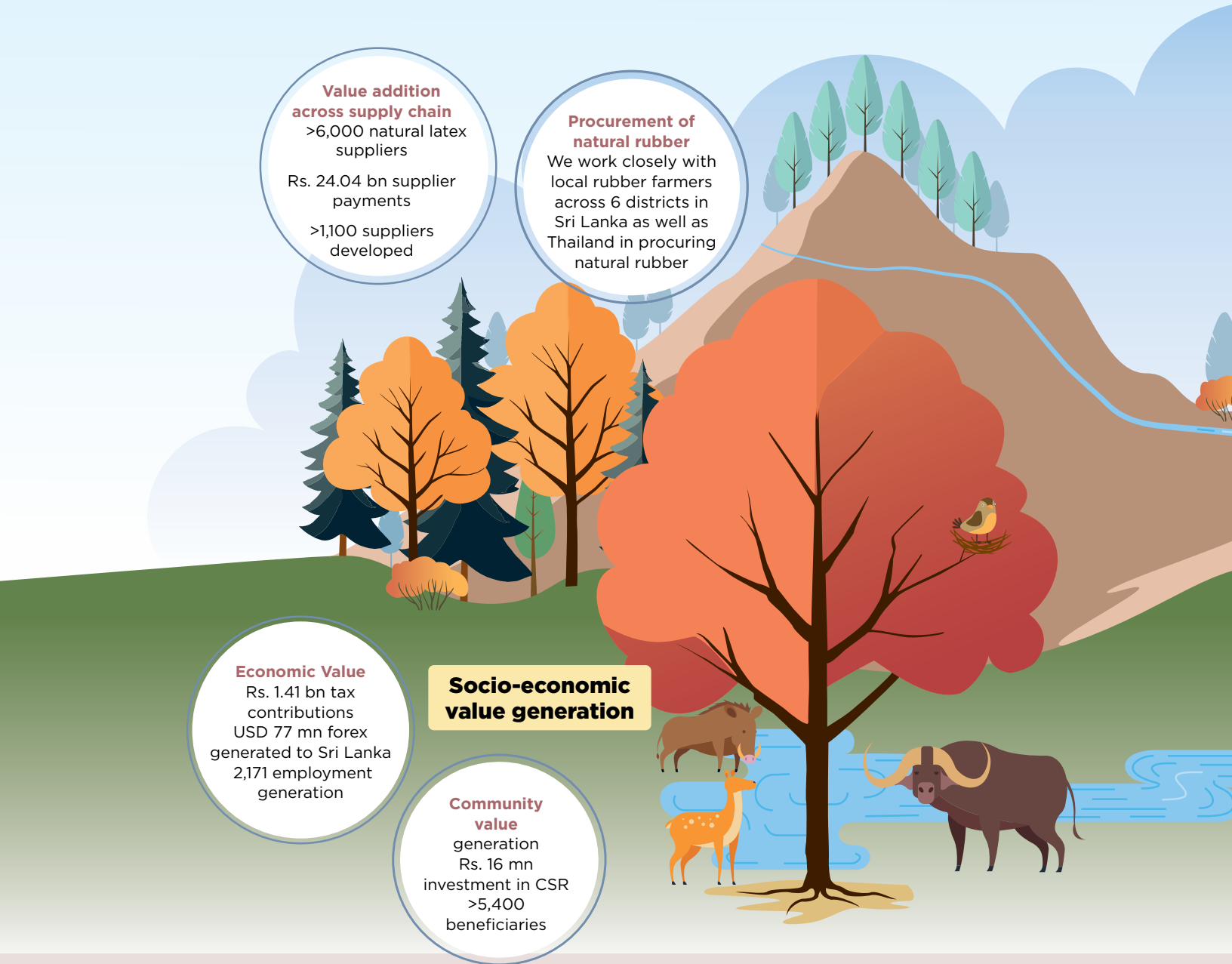
FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none">• Pursue growth in new product applications and market segments• Distributor acquisition in key markets• Ensure supply chain security through backward integration• Strategies to increase retention of shop floor employees• Optimise loan mix to mitigate currency and interest rate risk	<ul style="list-style-type: none">• Optimise business model through gradual curtailment of loss leaders• Unlocking growth through the Sector's ESG strategy 'Entwine'• Embracing digital technology in driving better customer service• Enhance value-added portfolio through investments in R&D
Short-term goals ROCE>10% Gearing<50%	Medium-to-long term goals ROCE>12%



HAND PROTECTION

With over 85% of its inputs sourced locally, the Group's Hand Protection Sector (represented by Dipped Products PLC) drives significant local value addition, designing, manufacturing, marketing and distributing an array of sustainable and innovative gloves catering to diverse applications and markets across the world.

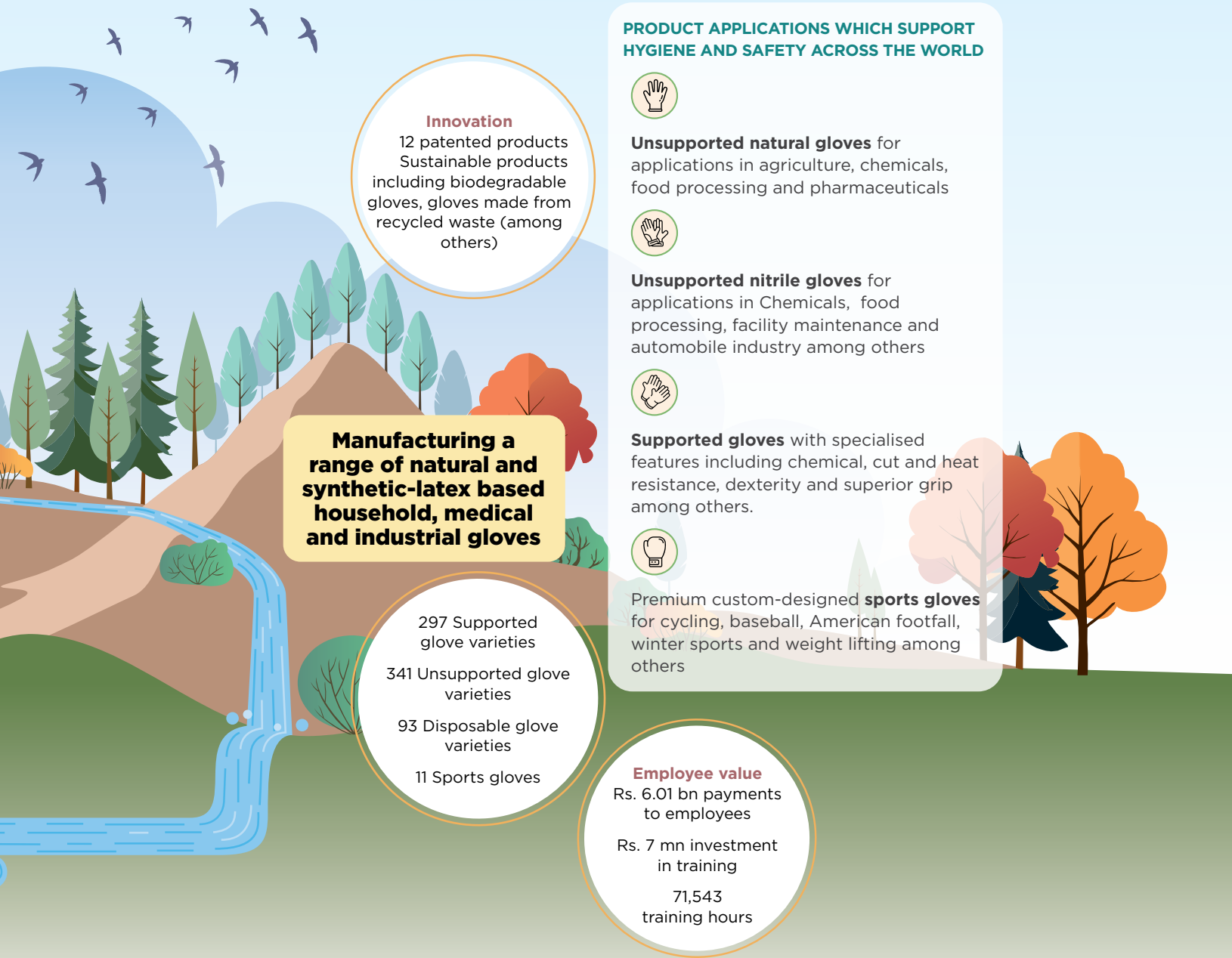
HAND PROTECTION



Rs. 13.89 bn
 Economic value creation



9%
 Contribution to Group's value creation



Revenue
Rs. 43 bn
(-16%)



Profit Before Tax
Rs. 4.01 bn
(-24%)



Profit After Tax
Rs. 3.67 bn
(-14%)



Assets
Rs. 34.34 bn
(-2%)



Liabilities
Rs. 13.6 bn
(-11%)



Employees
2,171
(-3%)



Carbon footprint
25,735 tCO₂e
(-4%)

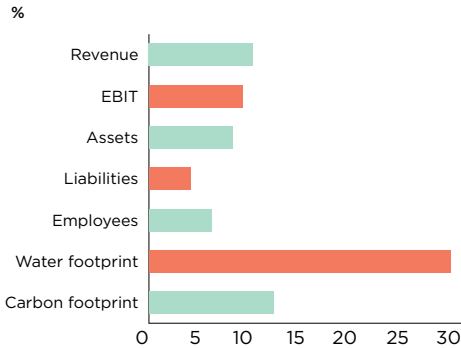
+ denotes y-o-y growth - denotes y-o-y decline

HAND PROTECTION

SECTOR OVERVIEW

The Group’s Hand Protection Sector is represented by Dipped Products PLC, a global leader in protective hand-wear, which serves close to 5% of global demand for natural and synthetic-latex based household and industrial gloves. Leveraging domain-specific knowledge and industry insights of over four decades, the Sector has sharpened its competitive edge through a relentless focus on quality, sustainability and innovation which has enabled DPL to fulfill rapidly evolving needs of its diverse clientele.

CONTRIBUTION TO GROUP



LOCAL OPERATIONS

5 manufacturing facilities producing a range of household, industrial and sports gloves

Contribution to Sector

Revenue: 55%
PBT: 97%

Performance 2023/24

Revenue: 13% decline
PBT: 46% decline



THAILAND OPERATIONS

Manufacturing facility in Thailand producing disposable gloves

Contribution to Sector

Revenue: 15%
PBT: 15%

Performance 2023/24

Revenue: 17% decline
PBT: 49% reduction in loss



EUROPEAN OPERATIONS

Distribution arm in Italy, supplying our products to the European market

Contribution to Sector

Revenue: 30%
PBT: -12%

Performance 2023/24

Revenue: 17% decline
PBT: 37% reduction in loss



strengthened towards the latter part of the year driven primarily by the industrial sector and is expected to maintain this momentum over the short-to-medium term. Sri Lankan exporters were adversely affected by the appreciation of the Sri Lankan Rupee, which impacted global competitiveness and revenue growth. During the year, the Sector was also impacted by the sharp increase in natural rubber prices, reflecting shortages in crop amidst pest attacks and unfavourable weather conditions. This, together with the increase in energy costs inserted pressure on overall cost of production. On the other hand, the relatively stable country’s macro-economic conditions including the gradual tapering off of interest rates during the year remained largely favourable.

OPERATING ENVIRONMENT

During the first half of the year, global glove demand remained subdued, consistent with the dynamics of the previous year in which distributors curtailed purchases following inventory build-up. However, demand

COMPETITIVE POSITION

The Sector’s products are sold in over **70 countries** across **6 continents**

ESG integration through the implementation of DPL Pulse- the Sector’s ESG roadmap centered on Planet, Product, People and Partners

A comprehensive portfolio of products with over **720 product variants** in supported, unsupported, disposable, electrician, sports gloves and sleeves

Quality and best-in-class innovation supported by state-of-the-art research capabilities, accredited laboratory facilities and an array of system and product certifications




15%

Increase in natural rubber prices


10%

Reduction in Sri Lanka's rubber crop


8%

Appreciation of the Sri Lankan Rupee

Summary of external drivers

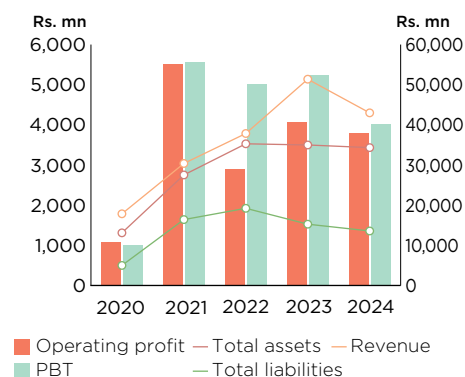
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Gradual decline in interest rates	M	+ Reduction in borrowing costs and finance income
	Fiscal policy: Higher corporate income tax rate of 30% applicable to the full financial year	H	- Increase in effective tax rate
	Increase in energy costs	H	- Adverse impact on cost of production and profitability margins
Industry context	Growth in industrial activity and resultant demand for gloves	M	+ Growth in demand for industrial gloves
	Increased stringency of health and safety regulations	H	+ Will drive demand for safety and hygiene solutions including gloves
	Growing awareness on the importance of personal protective equipment in work environments	H	+ Increased demand for industrial gloves and specialised gloves
Sustainability context	Implications of climate change on supply chain & raw material availability	H	- Disruptions to the supply chain - Volatility in raw material pricing
	Customers' increasing focus on sustainability considerations	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

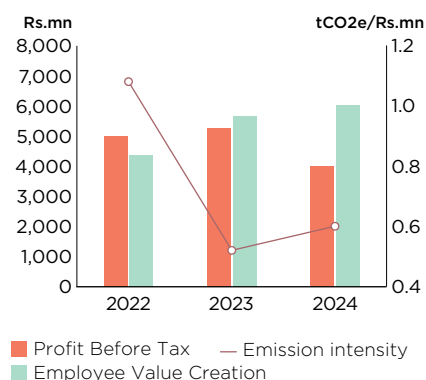
The Sector's performance reflected the external pressures that prevailed during the year, with Revenue declining by 16% to Rs. 43 bn, in view of the appreciation of the Sri Lankan Rupee and a 2% decline in volumes. Profitability margins were pressured by the increase in raw material costs and other overheads, although this was mitigated by ongoing focus on lean management and cost efficiencies. The Sector's overall Profit Before Tax declined by 24% to Rs. 4.01 bn for the previous year, reflecting the slowdown in top line as well as normalisation of exchange gains in comparison to the previous year. Meanwhile, the performance of the European segment was below expectations during the year, due to the prevalent adverse market conditions and decline in pricing.

SECTOR FINANCIAL PERFORMANCE



HAND PROTECTION

INTEGRATED PERFORMANCE



The Sector pursued penetration in niche markets during the year, entering the Middle Eastern and African markets which show significant upside potential. India is also earmarked as a significant target market and short-to-medium term plans are in place to drive customer acquisition. Although adversely affected during the year in review, the Sector's expansions in the European region including France and Poland are positioned for strong growth and expected to emerge as significant contributors to the bottom line over the medium-to-long term.

Increasing contributions from value-added products has been a core strategy and the Sector leveraged its best-in-class research and development capabilities to drive product innovation. A total of 35 new products were launched during the year, including a disposable gripper glove, a high-cut resistant glove, specialised glove for the electric vehicle industry and Super Chem Technology gloves that protect against a range of chemicals. The Sector also upgraded its research laboratory in the Kottawa facility, featuring state-of-the-art technology and aligning with the requirements international accreditations thereby positioning it as a Center of excellence in innovation. In line with our strategic focus on ESG, the Sector also sought to embed principles of sustainability in its

innovation and product development processes, as listed in subsequent sections of this Chapter.

The Sector invested Rs. 2.66 bn in physical infrastructure during the year, which included investments in solar, sports glove manufacturing facility and construction of a consolidated central warehouse, which has accrued substantial efficiencies and cost improvements. The new sports glove facility which was commissioned last year completed its full first year of operations, achieving commendable capacity utilisation levels as the new range gained momentum followed by partnerships with several globally leading sporting brands.

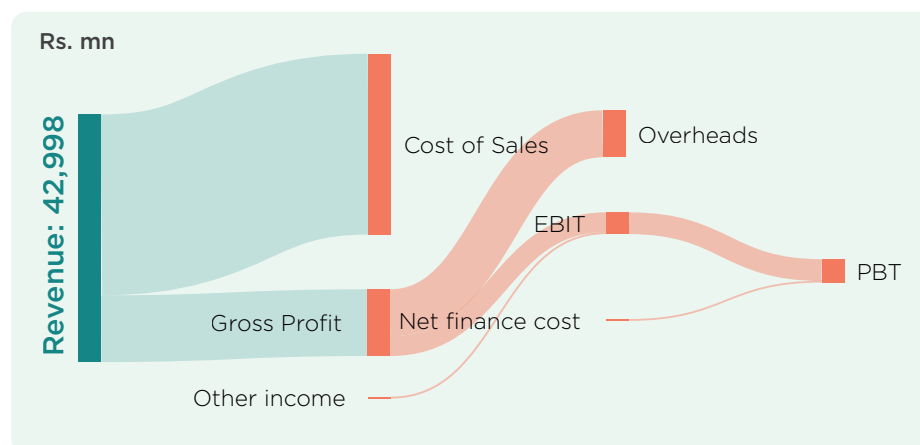
With employee retention remaining a key challenge for most Sri Lankan employers, the Sector placed strategic focus on upskilling employees, developing leadership capabilities and succession planning. Total training hours of 71,543 were delivered through investments of Rs. 7.42 mn, focusing on sales excellence, digital skills and technical skills among others. Supply chain dynamics remained challenging during the year, given the shortfall in natural rubber supply and resultant volatility in pricing. The Sector continued to leverage supplier relationships nurtured through DPL

Firstlight to address supply chain issues while also accessing the supply chain in Thailand.

ESG IN ACTION

The Sector sought to strategically institutionalise ESG across all aspects of its business through the launch of its holistic ESG Roadmap, 'DPL Pulse' aligned with the aspirations of the Hayleys Lifecode. Centered on the four pillars of Planet, People, Product and Processes, DPL Pulse details the Sector's environmental, social and governance targets, together with planned actions and strategies. While ESG initiatives are detailed in a subsequent section of this Chapter, measures taken to strengthen ESG governance in the Sector included the following:

- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2022/23 and 2023/24)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

High quality, innovative and sustainable products which are customisable



EMPLOYEES

Competitive remuneration, opportunities for skill and career progression



SUPPLIERS

Fair and transparent pricing, technical transfer and opportunities for capacity building



GOVERNMENT

Generation of tax revenue, export income and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Resource Allocation

Strategic KPI/Pre-financials

Innovation and value-added products

Rs. 200 mn

Investment in R&D
19 employees
Strength of R&D team

35

New products developed

21

Products in the pipeline

Regional expansion

Rs. 1.80 bn

Sales and marketing expenses

04

New markets entered

54

New customers acquired

ESG as a strategic differentiator

Launch of DPL Pulse during the year

4%

Reduction in carbon footprint

8%

Sustainable water sourcing

33 (2022/23: 26)

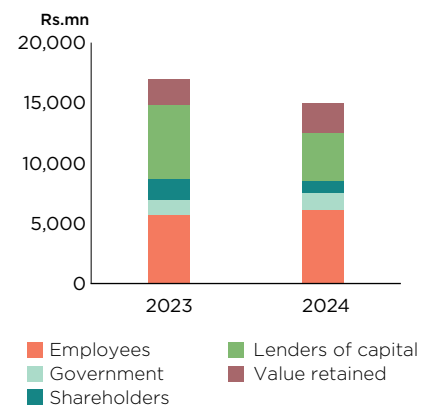
Average training hours per employee

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year reduced by 9%
- Value generated to Governments (in Sri Lanka and overseas) amounted to Rs. 1.41 bn an increase of 7%
- Payments to employees increased by 6% during the year
- Payments to lenders of capital decreased by 36%, reflecting the gradual decline in interest rates
- Value retained in the business for future investment amounted to Rs. 2.5 bn



VALUE DISTRIBUTION



HAND PROTECTION

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	43,025	51,376	(16)	37,858
Earnings Before Interest and Tax	3,786	4,072	(7)	2,896
Net Finance Income/(Cost)	226	1,179	(81)	2,109
Profit Before Tax	4,013	5,251	(24)	5,005
Profit After Tax	3,673	4,277	(14)	4,050
Assets	34,341	35,002	(2)	35,297
Liabilities	13,595	15,285	(11)	19,239
Operating Cash Flow	3,439	7,718	(55)	6,135
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>10%	14.5%	In line with target	
Gearing	<50%	22%		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Capacity utilisation (%)	84	79	5	84
Energy intensity (MJ mn/Revenue Rs.mn)	48	38	25	54
Water intensity (Litres/Revenue Rs.mn)	47,506	36,970	28	47,050
Carbon intensity (tCO2e/Revenue Rs.mn)	0.6	0.5	14	0.1
No. of employees	2,171	2,245	-3	2,117
Revenue per employee (Rs.mn)	20	23	15	17
Remuneration per employee (Rs.mn)	3	3	-	2

ESG HIGHLIGHTS



CLIMATE ACTION

The Sector relies primarily on renewable energy sources, which include biomass for boilers and solar power. The Sector has invested over Rs. 1.22 bn in rooftop solar PV systems, which have been installed across all Sri Lankan manufacturing facilities and in the Thailand factory.

	2024	2023	Y-o-y	Target
Energy consumption (TJ)	2,055	1,971	4	-
Carbon footprint (tCO2e)	25,735	26,893	-4	20% reduction in Scope 1 & 2
Renewable energy reliance	93%	92%		95%



SUSTAINABILITY IN PRODUCT DESIGN

Key sustainable innovations during the year include,

Product carbon footprint assessment of **7 gloves** under ISO 14067:2018 **Product Life Cycle Accounting and Reporting Standard**, to quantify emissions during all stages of the product cycle following the Life Cycle Analysis.

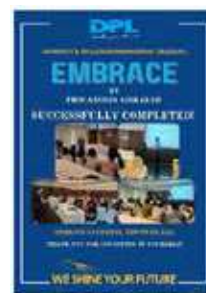
Supported gloves made of plant-based renewable material such as lenzing, banana and pineapple fibre

Rubber and plastic based reusable glove that can be used an alternative to conventional disposable glove



EMBRACING DIVERSITY, EQUITY AND INCLUSION

Launch of Embrace, a series of DEI awareness sessions conducted for all leadership and executive and above categories



SUPPLIER DEVELOPMENT THROUGH DPL FIRSTLIGHT

- Distribution of **65,000 KG** of fertilizer
- Distribution of **30,000** rubber saplings

Community engagement initiatives

Investments of Rs. 16 mn in community engagement initiatives focusing primarily on health and education

- Pahesera Arunalu-Educational support
- Sisu Divi Pahana: 85,000 nutritious meals
- Stationary and school book donations

PROSPECTS AND PLANS

The anticipated recovery of demand from the European market is expected to strengthen volume growth in 2024/25, as the Sector leverages its expansion efforts of recent years to drive increased penetration. Supported gloves are expected to record more pronounced growth, a trend DPL is well positioned to capitalise on given investments in enhancing product offerings and manufacturing capabilities. The Sector's short, medium and long-term risks and opportunities are summarised below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

➔ Exchange rate volatility

The Sri Lankan Rupee is expected to appreciate further over the short-term before decelerating and stabilising towards the latter part of the year. As an exporter, the appreciation of the Rupee will affect global competitiveness as well as revenue and profitability margins given the price sensitive nature of the industry.

Response

Proactive monitoring of exchange rate trends

➔ Global geopolitical dynamics

Escalating geopolitical tensions and resultant disruptions to shipping routes has led to longer lead times as well as higher operational costs

Response

Increased geographical diversification of markets

➔ High energy costs

Sri Lanka's energy costs increased significantly during the year and is currently ranked among the highest in the region.

Response

Increased reliance on renewable energy sources

➕ Increasing awareness on health and safety and more stringent regulations

Growing awareness on workers' safety and increasing occupational hazards in mining, construction, oil and gas and manufacturing will drive demand for industrial glove applications

Response

Expansion of product portfolio catering to specialised industrial needs
Penetration of new markets

➕/➔ Sustainability as a competitive edge

Environmental and social considerations are increasingly featuring in customers' purchasing decisions, presenting both opportunities and risks.

Response

Leveraging sustainability as a competitive advantage to access new markets and customer segments

Sustainability related risks and opportunities (SRRO)

Impacts of weather on supply chain

Implications of adverse weather patterns including variability in rainfall patterns and temperature on the rubber supply chain

< 1 year	Shortages in natural rubber and sharp escalation in prices
1-5 years	More pronounced shortages and price volatility of natural rubber, as demand increases
>5 years	If mitigation measures are not adopted, climate change will lead to significant disruptions of the supply chain
Response	Strengthen relationships with suppliers through DPL Firstlight and diversification of raw material sources

Transition risk: Shift to low-carbon economy

Increased stringency of regulations and escalating customer requirements on sustainability considerations

< 1 year	Customers requests for product-level carbon footprints and ESG ratings
1-5 years	Evolving regulations from the EU including the EU Deforestation Regulation and European Green Deal will have significant impact
>5 years	Survival of sustainability-focused organisations while others will be challenged to garner market acceptability
Response	Embedding ESG in a strategic manner

Water availability

Sri Lanka has been ranked a water-stressed country and escalating implications of climate change are likely to drive further challenges.

< 1 year	Limited impact albeit increased variability of weather patterns
1-5 years	The Sector is relatively water intensive with potential impacts on production continuity and operational cost
>5 years	Increase in water costs with frequent disruptions to availability
Response	Continued monitoring of water usage and increase reliance on sustainable sources including investments in water recycling

HAND PROTECTION

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Strengthen presence in Europe, Australia, Africa and East Asia Enhance value added portfolio catering to specialised needs including chemical resistant and electrical insulation gloves Pursue new opportunities by prioritising ESG related investments Cost optimisation through digitalisation and centralising back office functions 	<ul style="list-style-type: none"> Reengineer and automate manufacturing systems Diversify raw material and packaging supply chain in both Sri Lanka and Thailand Position DPL as a sustainable manufacturer through strategic approach to ESG
Short-term goals ROE>12% Gearing< 20%	Medium-to-long term goals ROCE>12% Gearing< 50% of total capital

SASB DISCLOSURES

Household and Personal Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Water Management	(1) Total water withdrawn (2) Total water Consumed (3) Percentage in regions with High or Extremely High Baseline Water Stress	(m3), Percentage (%)	CG-HP-140a.1	2.05 mn Litres N/A Sri Lanka is classified as a water stressed country
	Description of water management risks and discussions of strategies in place to manage those risks			Refer to page 281
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	Rs. mn	CG-HP-250a.1	N/A
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Rs. mn	CG-HP-250a.2	N/A
	Discussion of process to identify and manage emerging materials and chemicals of concern		CG-HP-250a.3	Refer to page 281
	Revenue from products designed with green chemistry principles	Rs. mn	CG-HP-250a.4	223 mn
Packaging Lifecycle Management	(1) Total weight of packaging (2) Percentage made from recycled and/or renewable materials (3) Percentage that is recyclable, reusable, and/or compostable			4,112 MT 70% 90%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle		CG-HP-410a.2	Evaluation of product carbon footprint for 7 products with the aim of identifying lifecycle emissions and opportunities for reduction
ACTIVITY METRICS				
Units of products sold		Number	CG-HP-000.A	252.4 mn pcs
Total weight of products sold				
Number of manufacturing facilities		Number	CG-HP-000.B	5



PURIFICATION

The Purification Sector transforms waste to value through procuring coconut shells and coconut shell charcoal from smallholder communities, which are used to produce an array of world-class activated carbon products that are used across numerous applications in diverse industries.

PURIFICATION

Value addition across supply chain

>850 suppliers

Rs. 14.43 bn supplier payments

25,000 coconut plants distributed

Procurement of coconut shell and coconut shell charcoal

We create value across the coconut value chain through financial assistance and capacity building to coconut smallholders and micro-entrepreneurs, 285 charcoal and coconut shell suppliers

Economic Value

Rs. 5.24 bn tax contributions

USD. 62 mn forex generated to Sri Lanka

Rs. 9.41 mn forex generated to Thailand and Indonesia

Socio-economic value generation

Community value generation

Mid-day meals to 800 students in 14 schools since April 2023



Rs. 17.46 bn
Economic value creation



11%
Contribution to Group's value creation



Revenue	Profit Before Tax	Profit After Tax	Assets	Liabilities	Employees	Carbon footprint
Rs. 42.74 bn (-29%)	Rs. 6.11 bn (-26%)	Rs. 4.30 bn (-34%)	Rs. 38.20 bn (-1%)	Rs. 14.15 bn (-5%)	1,933 (-14%)	26,696 tCO ₂ e (-6%)

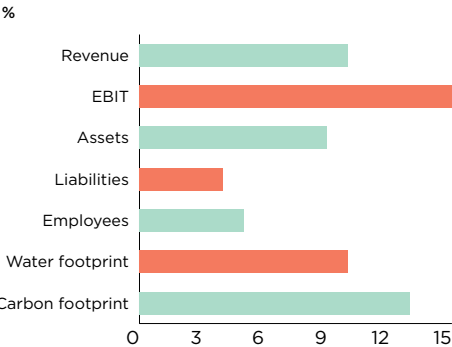
+ denotes y-o-y growth - denotes y-o-y decline

PURIFICATION

SECTOR OVERVIEW

The Purification Sector is represented by Haycarb Group, a global leader in the coconut-shell based activated carbon market commanding a share of approximately 16%. Through its subsidiary Puritas (Private) Limited, the Sector is also a leading provider of water and waste water purification solutions in Sri Lanka, Maldives and the region. During the year under review, the Purification Sector ranked as the top contributor to the Group's bottom line, accounting for 15% and 19% of EBIT and PBT respectively.

CONTRIBUTION TO GROUP



SRI LANKAN OPERATIONS

Manufacture of coconut-shell based activated carbon

Contribution to Sector
Revenue: 41%
PBT: 48%

Performance 2023/24
Revenue: 26% decline
PBT: 41% decline

OVERSEAS MANUFACTURING

Manufacturing facilities in Indonesia and Thailand

Contribution to Sector
Revenue: 30%
PBT: 42%

Performance 2023/24
Revenue: 18% decline
PBT: 3% decline

OVERSEAS MARKETING

Marketing arm engaged in distribution

Contribution to Sector
Revenue: 29%
PBT: 10%

Performance 2023/24
Revenue: 42% decline
PBT: 43% decline

in supply coupled with dampened demand led to intensifying price competition across the industry. On the other hand, increased volatility of global currencies fuelled demand for precious materials, which in turn drives demand for mining-related activated carbon applications. While Sri Lanka's macro-economic environment stabilised compared to the previous year, the appreciation of the Sri Lankan Rupee towards the latter part of the financial year adversely impacted export-oriented businesses and remains a significant risk factor in the near term. Over the medium to long-term however, implications of climate change are expected to have increasingly pronounced impacts on the coconut supply chain, as evidenced by chronic shortages in most producing countries.

OPERATING ENVIRONMENT
The global activated carbon market witnessed some consolidation during the year, with demand softening due to inventory adjustments following stock-build up over the previous years. The normalisation of global supply chains and resultant increase

COMPETITIVE POSITION

The Sector caters to >590 customers in over 50 countries with marketing offices in Sri Lanka, USA, Europe and Australia

Seven manufacturing facilities comprising 2 in Sri Lanka, Indonesia and 3 in Thailand. The Sector's newest facility will be commissioned in Philippines shortly

A complete range of over **1500 product variants** including standard, washed impregnated granular activated carbon, powder activated carbon and extruded pellet activated carbon

Advanced **research and product development capabilities** which have enabled the Sector to cater to evolving customer demands across different applications


7%

 Decrease in Sri Lanka's
coconut production in 2023

3%

 Increase in cost
of production

8%

 Appreciation of the
Sri Lankan Rupee

Summary of external drivers

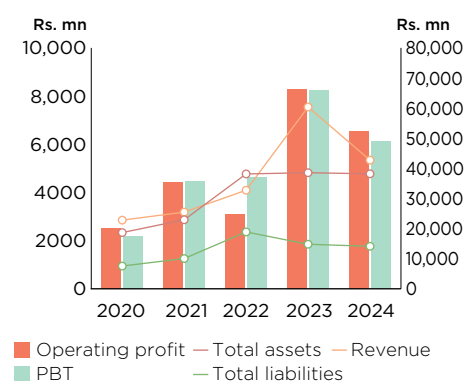
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Gradual decline in interest rates	M	+ Reduction in borrowing costs
	Fiscal policy: Higher corporate income tax rate of 30% applicable to the full financial year	H	- Increase in effective tax rate to 30% from 21%
	Decline in freight rates	M	+ Reduction in transportation costs
Industry context	Increased demand from mining industry	H	+ Potential for business growth
	Growing demand for water and air purification	H	
	Decline in raw material prices	H	+ Positive impact on profitability margins
	New energy arena with the global transition to a low-carbon economy	H	+ Opportunities to access new market segments through energy solutions
Sustainability context	Implications of climate change on coconut crop	H	- Disruptions to the supply chain - Volatility in raw material pricing - Implications on quality and yield
	Escalating customer requirements on sustainability considerations	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

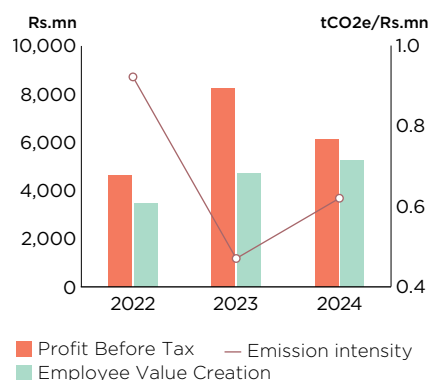
The Sector delivered a commendable performance in a challenging year, sustaining customer relationships and preserving profitability margins amidst external pressures. The 29% decline in Revenue during the year primarily reflects the appreciation of the Sri Lankan Rupee and a reduction of prices offered to customers, while the Sector successfully leveraged its strong customer relationships to remain resilient against intensifying competition and subdued demand. Revenue was also upheld by deeper penetration in key markets such as USA, China and the Middle East, and increasing contributions from the value-added portfolio. Meanwhile, proactive negotiations with raw material suppliers enabled the Sector to optimise input costs, thereby preserving profitability margins. Meanwhile, the Environmental Engineering arm recorded strong

SECTOR FINANCIAL PERFORMANCE



PURIFICATION

INTEGRATED PERFORMANCE



turnaround during the year supported by the gradual recovery of the construction sector and infrastructure projects. Overall, the Sector recorded a Profit Before Tax of Rs. 56 mn (compared to loss of Rs. 240 mn the previous year) gradually emerging as a key contributor to profit during the period.

The Sector's product strategy was consistent with the approach adopted in the last few years, in which considerable business development efforts were directed towards widening the value-added product portfolio. Strategic emphasis placed on energy storage carbon including hard carbon for sodium ion batteries, which presents significant upside potential given rapid growth in the new energy arena. Manufacturing and R&D capabilities were also strengthened in these areas, with investments of over Rs. 125 mn directed towards constructing a state-of-the-art electrochemical laboratory for energy storage solutions. Digital transformation also remains a strategic focus, with the Sector exploring avenues of leveraging AI capabilities to drive increased automation and efficiencies.

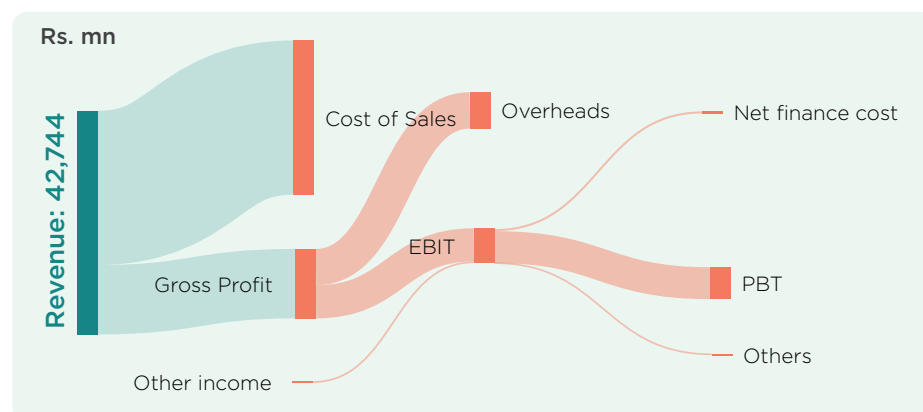
Improving security and resilience of the coconut supply chain is critical to the long-term success of the Sector. Reflecting its efforts to strengthen local coconut production, the Sector committed to plant 100,000 coconut trees in Northern province of Sri Lanka, aligned to a national initiative to establish a second coconut triangle. In line with the Sector's efforts to further diversify its raw material sources, the Sector's 7th and latest manufacturing facility is to be commissioned in the Philippines in the first half of 2025. Meanwhile, the 'Haritha Angara' initiative, which uses a proprietary closed pit charcoaling technology was further expanded, with the addition of 25 new pits.

The Sector's people strategy for the year centered on succession planning, building capabilities in critical areas such as digitalisation and ESG as well as creating better working environments through renovations and upgrades to workspaces. Despite the widespread talent migration in the country, the Sector maintained relatively healthy retention levels of 88%, reflecting its superior employee value proposition which is aligned to the three pillars of the Sector's corporate purpose- envision, enrich and empower.

ESG IN ACTION

The Sector marked a major milestone in its ESG journey during the year, with the launch of 'Activate' the Sector's holistic ESG roadmap for 2030. Through Activate (which is broadly aligned to the Hayleys Lifecode), the Sector committed to ambitious social, environmental and governance targets centering on five action-driven pillars of Restore, Inspire, Excite, Uplift and Innovate articulating the Sector's commitment to the environment, employees, customers, communities and product proposition. In addition, the following measures have been taken to institutionalise ESG:

- Establishment of Sector ESG Steering Committee and ESG Working Group
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets
- ESG audits conducted by the Sector ESG Division
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Innovative and sustainably manufactured products catering to emerging requirements



SUPPLIERS

Continued demand for material at equitable pricing and opportunities for development



GOVERNMENT

Generation of tax revenue, export income and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Product strategy centered on value-added products and superior quality

Supply chain resilience and security

Strategic integration of ESG

Resource Allocation

Rs. 246 mn

Investment in R&D

>150 employees

Strength of R&D team



172

New suppliers added

Rs. 173 mn cumulative

Investments in Haritha Angara



Rs. 799 mn

Investments in renewable energy

Rs. 41 mn

Investment in community initiatives



Strategic KPI/Pre-financials

12

New products developed

Rs. 479 mn

Revenue earned from value-added products

Rs. 14.43 bn (-27%)

Payments to suppliers

Optimisation of input costs

50%

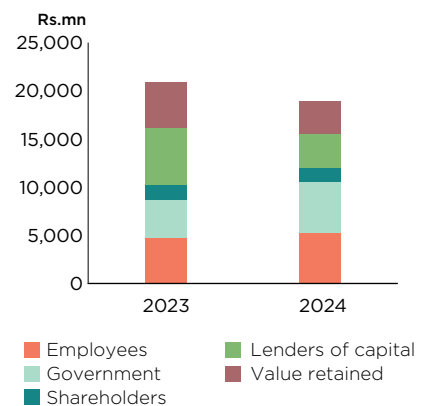
Raw material requirement fulfilled by Haritha Angara

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year decreased by 10%
- Value generated to Governments (in Sri Lanka and overseas) increased by 33%
- Payments to lenders of capital decreased by 41%, reflecting over the gradual decline in interest rates
- Value retained in the business amounted to 20% compared to 25% the previous year



VALUE DISTRIBUTION



PURIFICATION

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	42,743	60,357	(29)	32,751
Earnings before interest and tax	6,521	8,274	(21)	3,079
Net finance income/(cost)	(399)	(19)	2037	1,602
Profit before tax	6,106	8,247	(26)	4,642
Profit after tax	4,299	6,494	(34)	3,707
Assets	38,198	38,567	(1)	38,160
Liabilities	14,146	14,820	(5)	18,908
Operating cash flow	7,877	10,122	(22)	(2,814)
Performance against targets				
	Target	Actual	Reason for variance	
ROE	>10%	18%	Stronger profit performance driven by value-added portfolio	
Gearing	<55%	16%	More effective working capital management	
OPERATIONAL HIGHLIGHTS				
	2024	2023	% y-o-y	2022
Production volumes (MT)	43,236	48,883	(11.6)	47,905
Capacity utilisation (%)	77	86	(10.5)	90
Energy intensity (GJ mn/Revenue Rs.mn)	5.6	4.4	29	8
Water intensity (Litres/Revenue Rs.mn)	17,428	10,764	62	18
No. of employees	1,933	1,880	+3	1,768
Revenue per employee (Rs.mn)	22	32	+31	19
Remuneration per employee (Rs.mn)	3	2	+50	2
Carbon intensity (tCo2e/Revenue Rs. mn)	0.62	0.47	33	0.9

ESG HIGHLIGHTS



CLIMATE ACTION

The Sector's renewable energy drive consists of increased investments in solar as well as waste-heat-recovery. Plans are in place to install solar panels across manufacturing locations in Sri Lanka and Thailand.

	2024	2023	Y-o-y	Target
Energy consumption (MJ mn)	240,589	264,182	-9%	Scope 1 and 2 emission reduction target of 25
Carbon footprint (tCO2e)	26,696	28,396	-6%	
Solar capacity	2.4%	N/A		50%



SKILL DEVELOPMENT

Key areas of training: Digital, R&D, ESG, business leadership

Training hours: 23,353

Investment in training: Rs. 8.27 mn



COMMUNITY INITIATIVES

Numerous needs-based community initiatives initiated with the commemoration of the Sector's 50th anniversary

Sisu Divi Pahana: Mid day meal programme for school children

- >150,000 meals
- 14 schools
- 800 children



GREENING THE SUPPLY CHAIN

Recogen: Patented environmentally friendly charcoaling process

Haritha Angara: Environmentally friendly charcoaling initiative with 431 pits operating to date

Vertical Kiln Charcoaling: Conversion of traditional open pit charcoaling into a closed pit charcoaling fulfilling approximately 20% of raw material requirement in Thailand

PROSPECTS AND PLANS

While short-term demand will be driven by strong growth in the mining industry, medium-to-long term demand outlook also remains favourable, supported by the global transition to a low-carbon economy which is driving demand for energy storage solutions as well as increasingly stringent water and pollution control regulations. Prices are expected to remain stable in the short-to-medium term, while opportunities in value-added products and new market segments would enable manufacturers to gain premium pricing. The Sector's risk and opportunity landscape is summarised below.

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

Exchange rate volatility

The Sri Lankan Rupee is expected to appreciate further over the short-term before decelerating and stabilising towards the latter part of the year. In the near term, this is expected to impact revenue, profitability and global competitiveness.

Response

Proactive monitoring of exchange rate trends

Talent migration

The exodus of talent from the country in recent years has posed considerable challenges in attracting and retaining the tight talent.

Response

Investments in talent development and succession planning

Competition for raw materials

The gradual reduction in coconut crops, coupled with the persistent increase in demand has led to price pressure and disruptions to supply chains.

Response

Geographical diversification of raw material sources and backward integration

Digitalisation and digital transformation

Significant opportunities in driving operational efficiencies, risk mitigation and elevating the customer experience through technology-driven solutions.

Response

Exploring avenues to digitalise manufacturing process data, to drive real time reporting and better decision-making.

Sustainability as a competitive edge

Environmental and social considerations are increasingly featuring in customers' purchasing decisions, presenting both opportunities and risks.

Response

Leveraging sustainability as a competitive advantage to access new markets and customer segments

Sustainability related risks and opportunities (SRRO)

Physical climate risk

Implications of adverse weather patterns on the coconut charcoal supply chain

< 1 year	Limited impact of weather on coconut charcoal -will not have a shortages in charcoal
1-5 years	More pronounced shortages in coconut charcoal leading to price escalations and volatility
>5 years	If mitigation measures are not adopted, climate change will lead to significant disruptions of the supply chain
Response	Diversification of raw material sources and support expansion of coconut triangle in Sri Lanka

Shift to low-carbon economy

Increased stringency regulations relating to environmental implications and escalating customer demands on sustainability considerations

< 1 year	Necessitates focus on providing customers relevant sustainability information
1-5 years	Compliance to sustainability requirements Opportunity for growth in new energy arena
>5 years	Strong growth in energy storage solutions
Response	Embedding ESG in a strategic manner and increasing investments towards energy storage solutions

Water availability

Sri Lanka has been ranked a water-stressed country and escalating implications of climate change are likely to drive further challenges

< 1 year	Limited impact albeit increased variability of weather patterns
1-5 years	If climate implications are not abated, shortages in water supply could impact production continuity
>5 years	Increase in water costs and disruptions to availability
Response	Continued monitoring of water usage and increase reliance on sustainable sources

PURIFICATION

Despite potential external challenges, the Sector's investments in product development, people capabilities and digitalisation has positioned it in good stead to capture emerging opportunities. The Sector's priorities in the short, medium and long-term together with our targets are presented below:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> • Increase market share of value-added carbon portfolio • Increased penetration in markets with high potential • Expand regional manufacturing presence • Digital transformation to facilitate data-driven decision making and increased efficiencies • Backward integration 	<ul style="list-style-type: none"> • Re-engineer and automate manufacturing systems to improve efficiency • Pursuit of ESG aspirations • Expanding regional presence of water purification business • Explore opportunities on entering the activated Carbon solution market
Short-term goals ROE>10% Borrowings<50% of capital employed	Medium-to-long term goals ROE>12% Gearing<55% Dividend to net profit of 40%

SASB DISCLOSURES

Chemicals- Sustainability Disclosure Topics & Accounting Metrics

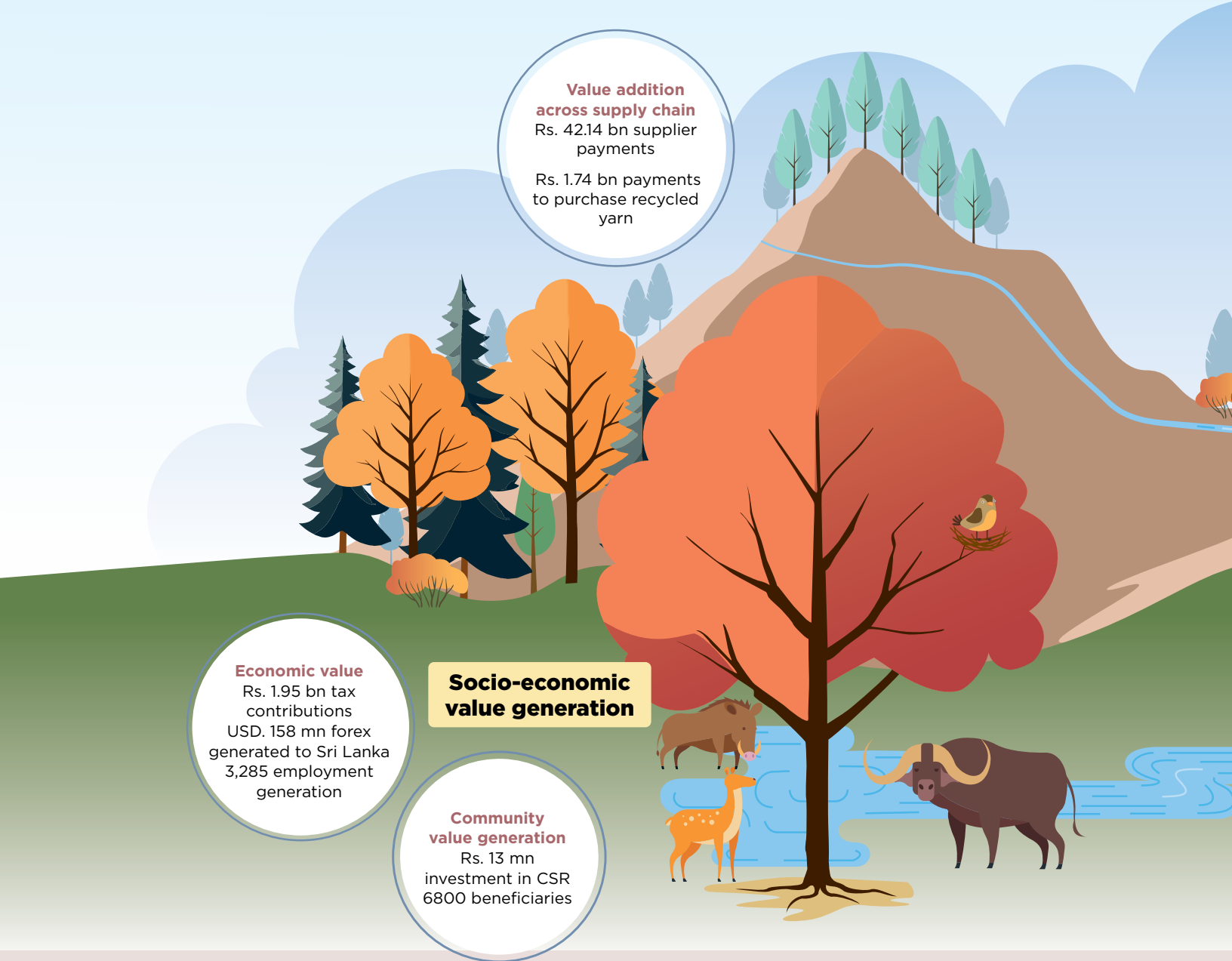
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Management of Chemicals in Product	(1) Gross global Scope 1 emissions. (2) Percentage covered under emissions-limiting regulations.	Kg CO ₂ -eq Mn %	RT-CH-110a.1	10,903,000 Kg CO ₂ -eq Not applicable
	Discussion of long-term and short-term strategy or plan to manage emissions		RT-CH-110a.2	Clearly set out in Activate- the Sector's ESG roadmap which aims to reduce Scope 1 and 2 emissions by 25% by 2030 through increasing reliance on renewable energy
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N ₂ O),	Mt	RT-CH-120a.1	508.3
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable, (4) Total self-generated energy	GJ %	RT-CH-130a.1	(1) 1,132,964 GJ (2) 10% (3) 78% (4) 78% (Haycarb Recogen plant supplied over 800,000 kWh of electricity to the National Grid)
Water management	(1) Total water withdrawn, (2) Total water consumed. (3) Percentage of each in regions with High or Extremely High Baseline Water Stress	m ² %	RT-CH-140a.1	(1) 732,634 m ² (2) 744,951 m ² (Including recycle water) (3) 61% withdrawn from Sri Lanka, which is classified as a water stressed country by the Food and Agriculture Organisation, given a water withdrawal rate of 90.79%.
	Number of incidents of environmental non-compliance	Number	RT-CH-140a.2	Zero
	Description of water management risks		RT-CH-140a.3	Ongoing efforts to drive lean initiatives to minimise water usage and water efficiency.
Hazardous waste management	Amount of hazardous waste generated, and percentage recycled	Mt %	RT-CH-150a.1	1.2 Mt 28%
Community relations	Discussion of engagement processes to manage risks and opportunities associated with community interests.		RT-CH-210a.1	The Group engages frequently with the communities it operates in. Investment in CSR activities – Rs.40.8 Mn
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate for (a) direct employees (b) contract employees	Rate	RT-CH-320a.1	(1) 1.58 (2) 0%. No fatalities of direct or contract employees were recorded during the year.
Activity metrics				
Production by reportable segment	Production quantity - Activated Carbon	Mt	RT-CH-000.A	43,459 Mt



TEXTILES

The Sector is the largest textile manufacturer in the country catering to leading global fashion brands through an innovative and sustainably manufactured portfolio of natural and synthetic-fibre based fabrics. The Sector's value addition is underpinned by its world-class innovation and product development capabilities, award-winning sustainable practices and significant socio-economic impacts in Sri Lanka

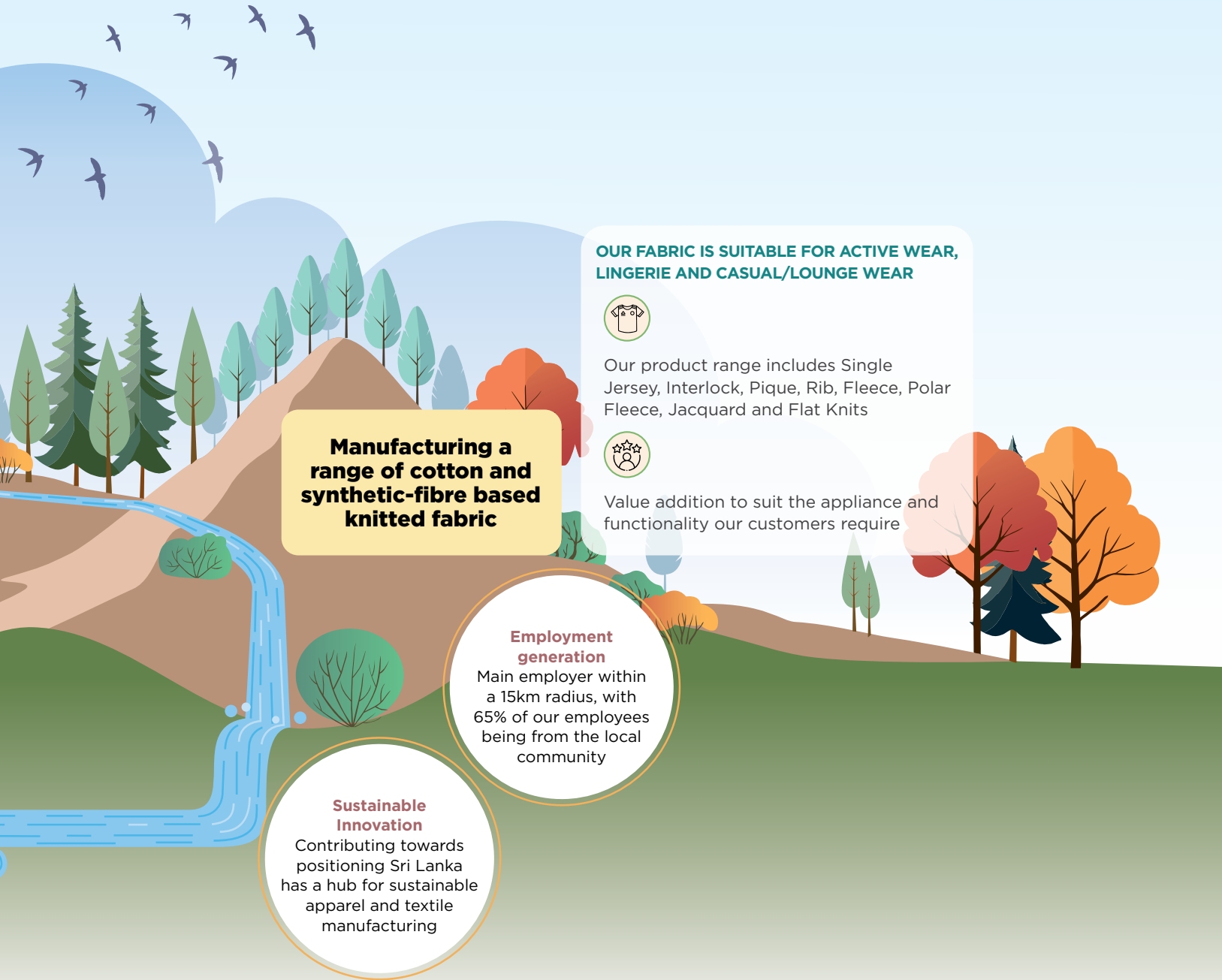
TEXTILES



Rs. 12.05 bn
Economic value creation



8%
Contribution to Group's value creation



Revenue Rs. 46.17 bn (-18%)	Profit Before Tax Rs. 3.72 bn (+12%)	Profit After Tax Rs. 2.48 bn (+517%)	Assets Rs. 35.72 bn (-11%)	Liabilities Rs. 24.98 bn (-16%)	Employees 3,285 (+6%)	Carbon footprint 43,953 tCO ₂ e (-19%)

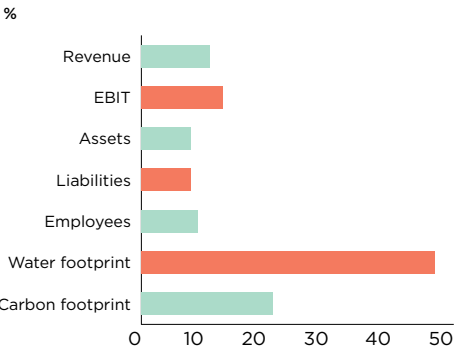
+ denotes y-o-y growth - denotes y-o-y decline

TEXTILES

SECTOR OVERVIEW

The Group's Textile Sector, represented by Hayleys Fabric PLC and South Asia Textiles Limited is the pioneering and largest textile manufacturer in the country. The Sector manufactures and supplies world-class fabric to leading global fashion brands and has built a strong global reputation for sustainability, quality and innovation. In addition to the conventional cotton range, the Sector specialises in the manufacture of synthetic, knitting fabric suitable for lingerie and casual/lounge wear, with over 50% of its manufacturing capacity comprising synthetic fabric. The Sector was also the first Sri Lankan fabric mill to launch its own brand, 'INNO'- enabling it to position itself as a niche supplier of fashion-forward, sustainable, value-added fabric.

CONTRIBUTION TO GROUP



HAYLEYS FABRICS PLC

Fabric manufacturer

Contribution to Sector
Revenue: 61%
PBT: 81%

Performance 2023/24
Revenue: -18% growth
PBT: 7% growth

SOUTH ASIA TEXTILES

Fabric manufacturer, acquired by Hayleys Fabric in April 2021

Contribution to Sector
Revenue: 39%
PBT: 19%

Performance 2023/24
Revenue: -20% growth
PBT: 28% growth

OPERATING ENVIRONMENT

The global fashion and apparel industry experienced deepening and varied challenges during the year, against the backdrop of economic

uncertainty, geopolitical tensions and shifting consumer priorities. Many global brands deferred orders given persistent inflation, divergent economic growth and weak consumer confidence. Geopolitical tensions in Europe and the Middle East and resultant disruptions to key maritime routes have led to vessel diversions. Subsequent shipping delays coupled with the global brands' shorter-term forecasts and orders pushed fabric manufacturers to further reduce lead times to minimise disruptions to supply chains. In Sri Lanka, while macro-economic conditions stabilised on comparison to previous year, manufacturers and exporters were adversely affected by escalating energy costs, the appreciation of the Sri Lankan Rupee towards the latter part of the year and the higher tax regime. As a result, Sri Lanka's total garment exports (in dollar terms) contracted by 18% during the year, although the industry maintained its track record of quality and timely delivery in international markets. However, the demand outlook remains favourable over the short-to-medium term, as evidenced by the recovery of volumes from April 2024 onwards.

COMPETITIVE POSITION

The Sector caters to **high-end global fashion brands** such as Nike, Calvin Klein, Tommy Hilfiger and Victoria's Secret among others

Globally recognised for its strong **sustainability focus**, with numerous innovations centered on circularity and resource efficiency

Manufacturing capabilities include Knitting, Dyeing, Printing, Brushing, Sueding and Finishing, with the ability to **manufacture an array of** varieties of tailor-made natural, synthetic and weft-knit fabrics.

The Sector's reputation for quality and sustainability is backed by an **array of international certifications** in environmental management, energy health and safety and responsible business


34%

Increase in petrol costs


8%

 Appreciation of
Sri Lanka Rupee

2 - 4%

 Growth outlook for
fashion industry

Summary of external drivers

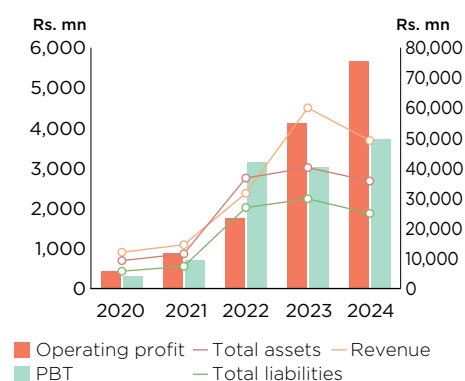
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Global geopolitical dynamics and resultant uncertainty	H	- Implications on volumes with global brands deferring orders - Shipping delays and escalation in freight rates
	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Reduction in interest rates	H	+ Reduction in borrowing costs
	Increase in energy costs	M	- Adverse impact on cost of production and profitability margins
Industry context	Increased demand uncertainty	M	- Necessitates revisiting pricing, product and manufacturing strategies
	Rapidly evolving consumer demand patterns	H	- Necessitates increased agility and flexibility of manufacturing processes
	Digitalisation and AI in enhancing creatives and processes	H	+ Significant opportunities to drive innovation and agility
Sustainability context	Sustainable fashion as a competitive edge	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies
	Implications of climate change	M	- Accelerated climate ambitions across the value chain and need to tackle emissions and build resilience
	Shifting customer preferences towards prolonging use and smaller wardrobes	M	- Potential implications of demand and business growth

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

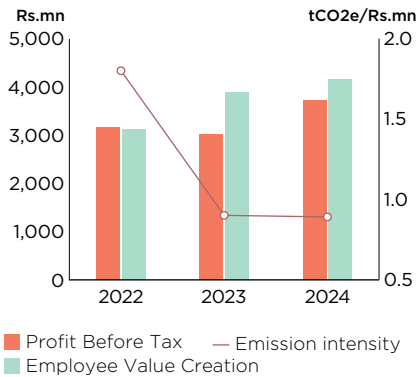
Strategic foresight in building agility enabled the Sector to demonstrate remarkable resilience in a challenging year, delivering improvements in both top and bottom lines. Subdued demand together with the appreciation of the Sri Lankan Rupee resulted in the Revenue declining by 18% to Rs.49.17 bn. The Sector leveraged its agile manufacturing processes to ensure timely delivery to customers. Relentless focus on refining processes and improving production planning and scheduling enabled the Sector to considerably reduce its lead time, which in turn mitigated the adverse impacts of shipping delays for both apparel manufacturing customers and the global brands. Proactive negotiations with yarn suppliers and cost efficiencies delivered through a focus on sustainability, enabled the Sector to widen its profit margins during the year. Resultantly, the Sector's Profit Before Tax and Profit After Tax increased by 23% and 6 - fold to Rs. 3.72 mn and Rs. 2.49 mn respectively during the year.

SECTOR FINANCIAL PERFORMANCE



TEXTILES

INTEGRATED PERFORMANCE



The Sector’s continued success in recent years has been underpinned by its brand-focused strategy, which allowed it to outperform local and regional competitors. In addition to enabling resilient demand conditions, these long-standing relationships with Tier 1 suppliers have facilitated collaborations on product developments and ongoing transfer of knowledge which in turn allowed us to strengthen relationships with these global brands.

Meanwhile, the Sector’s product strategy in recent years has centered on pivoting from basic, conventional cotton-based fabrics to premium, value-added products both in natural and synthetic fabrics. The Sector has made significant strides in building its range of synthetic fabric, led by its own brand INNO which continued to deliver commendable growth during the year under review. Continued investments are also made in strengthening manufacturing and digital capabilities. Capital expenditure for the year amounted to Rs. 1.25 bn comprising investments in new dye machines and versatile technology.

While employee retention remains an industry-wide challenge, the Sector’s efforts to consistently enhance its employee value proposition continues

to bear fruit. Continued investments were made in upskilling employees, driving employee engagement and ensuring a safe and healthy working environment. In a unique female empowerment initiative, the Sector operates a knitting plant that is powered almost entirely by females, thereby increasing employability and driving socio-economic empowerment among these impoverished communities.

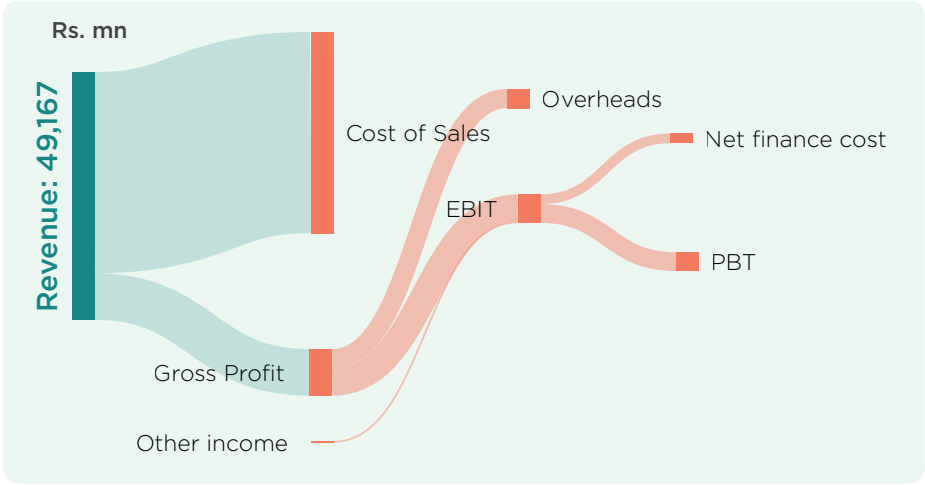
Hayleys Fabric is globally recognised as a pioneer and leader in sustainability in the industry, having gained international recognition for its environmentally conscious, responsible and ethical business practices. The Sector’s remarkable achievements in sustainability (some of which are listed in the table below) have been supported by its relationships with global fashion brands, which has paved way for ongoing collaborations on sustainability products and the transition to a low-carbon operation through ambitious targets. During the year, in addition to winning several awards for innovation at the ISPO (Germany) Textrends Awards Fall/ Winter 2025/26, the Sector also won the prestigious Best SDG Impact Award for Commitment to

Sustainability at the ESG World Summit and Awards 2023.

ESG IN ACTION

While sustainability has always been deeply ingrained in Hayleys Fabric, during the year, several measures were taken to strengthen ESG governance, strategy and risk management-aligned with the overall ESG vision of the Hayleys Group. Accordingly, the following interventions were made during the year:

- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Obtained verification of emission targets under the Science-based-targets-initiative
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2023/24)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Sustainable and innovative products and timely delivery



SUPPLIERS

Fair pricing and secure demand levels



GOVERNMENT

Generation of tax revenue, export income and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Value-added product focus

Brand centered strategy

ESG as a strategic differentiator

Resource Allocation

Rs. 51 mn

Investment in R&D
Collaborations with global brands



Global fashion brands
Proactive engagement through sales and marketing teams



16,995

Training hours focused on sustainability



Strategic KPI/Pre-financials

445

New products/variants developed

289

Products in the pipeline

16,413 MT
Volume

19%

Reduction in carbon footprint

4%

Reduction in water footprint

43

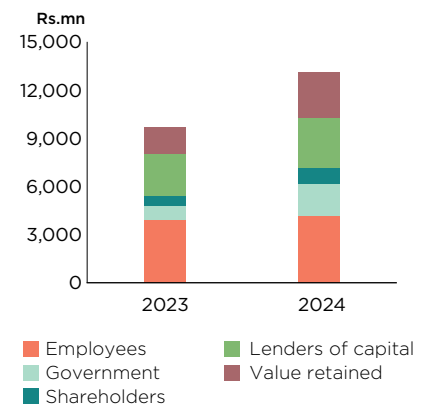
Sustainable innovations launched

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year expanded by 33%
- Payments to employees increased by 7% during the year
- Value generated to Governments amounted to Rs. 1.95 bn (accounting for 16% of value)
- Payments to lenders of capital increased by 16%
- Value retained in the business for future investment amounted to 24% compared to 18% the previous year



VALUE DISTRIBUTION



TEXTILES

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	49,167	60,014	(18)	31,668
Earnings before interest and tax	5,660	4,129	37	1,757
Net finance income/(cost)	(1,941)	(1,115)	74	1,401
Profit before tax	3,719	3,013	23	3,157
Profit after tax	2,488	403	517	2,694
Assets	35,721	40,175	(11)	36,710
Liabilities	24,979	29,824	(16)	26,907
Operating cash flow	6,011	481	1150	2,114
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>15%	30%	Inline with target	
Gearing	<55%	54%		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Production volumes (MT)	16,413	16,612	(1)	17,203
Capacity utilisation (%)	>90%	>90%	N/A	90%
Energy intensity (GJ/Revenue Rs.mn)	30	25	20	48
Water intensity (Litres/Revenue Rs.mn)	68,037	57,805	18	47,050
Carbon intensity (tCO ₂ e/Revenue Rs.mn)	0.89	0.9	(1)	1.8
No. of employees	3,285	3,088	9	2,915
Revenue per employee (Rs.mn)	15	19	21	11
Remuneration per employee (Rs.mn)	1.3	1	30	1

ESG HIGHLIGHTS



CLIMATE ACTION

- One of the four companies in Sri Lanka to obtain verification of its emission targets under the Science-Based-Targets-Initiative
- Only fabric manufacturer in Sri Lanka to obtain ISO 50,001 certification
- Largest private sector rooftop solar system (4.5 MW) in Sri Lanka
- Sri Lanka's first floating solar system

	2024	2023	% y-o-y	Target
Energy consumption (TJ)	1,477	1,500	(2)	Aligned to SBTi
Carbon footprint (tCO ₂ e)	43,953	53,998	(19)	
Renewable energy generation(Gjs)	1,075,286	1,024,075	5	

CHEMICAL MANAGEMENT

Committed to the Zero Discharge of Hazardous Chemicals global initiative

100%

Chemicals and dyes certified as ZDHC Level 1

92%

Chemicals and dyes certified as ZDHC Level 3

EMBEDDING CIRCULARITY

- Procurement of recycled yarn obtained through recycling PET bottles
- Recycled polyester yarn procured from reputed suppliers

Partnership with the University of Moratuwa through funding a research initiative to upcycle waste (polythene, waste fabric and sludge) to manufacture a fibre sheet

PRESERVING BIODIVERSITY

- 9 acre thriving biodiversity park established
- Elevated walkways for visitors and school children to build awareness
- 146 species of fauna and 149 species of flora
- 25 acres of fruit and vegetable cultivation using sustainable agriculture practices

SUSTAINABLE INNOVATION

Warna by Mahogany:

Organic natural dye made from extracting dye in-house from furniture industry waste

Eco Stretch:

Eco-friendly fabric for sportswear

PROSPECTS AND PLANS

The industry is expected to be characterised by uncertainty and volatility over the short-term given divergent economic growth and concerns on geopolitical tensions. Manufacturers will be required to strike a balance between managing uncertainties and seizing opportunities through building agile and adaptable operating models, which can swiftly adapt to dynamic changes in demand and other external factors. The Sector's short, medium and long-term risks and opportunities are summarised below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+/- Rapid pace of change and shorter lead times

With customer demands evolving at an unprecedented rate, fashion retailers are focusing on getting new styles to customers at record pace, necessitating shorter lead times across the industry

Response

The Sector will be required to invest in automation and process efficiencies to achieve continued improvements in lead time

● Exchange rate volatility

The Sri Lankan Rupee is expected to appreciate further over the short-term before decelerating and stabilising towards the latter part of the year. As an exporter, the appreciation of the Rupee will affect global competitiveness as well as revenue and profitability margins

Response

Proactive monitoring of exchange rate trends

Grow volumes in value-added, relatively price inelastic segments

+ Growing role of digital

Generative AI is likely to feature prominently in the industry value chains as it is used to enhance human creatives and drive increased efficiencies

Response

Pursuing opportunities in digital transformation including data driven decision making, production planning and scheduling among others.

+/- Shifts in consumption patterns

Key consumer trends in fashion include hybrid clothes (such as the athleisure segment), smaller capsule wardrobes, reselling platforms and increased focus on social and environmental considerations.

Response

Flexing strategies and adapting operating model through leveraging insights gained from our network of global retail brands.

Sustainability related risks and opportunities (SRRO)

Transition risk- shifting customer demands

Social and environmental considerations of businesses are gaining higher importance in purchasing decisions coconut husk

< 1 year	Sustainability is a competitive edge in accessing new markets and commanding premium pricing
1-5 years	As retailers seek to cut emissions along their supply chain, manufacturers will be compelled to adopt measures to tackle emissions
>5 years	Businesses who do are unable to comply with these evolving requirements will be challenged to survive
Response	Strategic integration of ESG across the business

Increasingly stringent regulations

Increased stringency of regulations particularly from the EU are reshaping the operations of manufacturers

< 1 year	Evolving regulations on carbon taxes, chemical management, emission reduction and sustainability reporting
1-5 years	
>5 years	Sustainability practices across the industry will be standardised and non-complying organisations will cease to exist
Response	Embedding ESG in a strategic manner, with due consideration to all emerging regulations

Impact of water availability on cotton

Cotton is susceptible to variability in rainfall and temperature patterns

< 1 year	Limited impact albeit increased variability of weather patterns
1-5 years	Volatility of supply and pricing given the wide-ranging impacts of the climate emergency
>5 years	Frequent disruptions to raw material procurement and implications of continuity of production
Response	Research and development efforts focused on sustainable innovation Diversification of raw material sources



TEXTILES

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Retention of tier 1 customers Proactive inventory and supply chain development Strengthen position in synthetic fabric segment Retain sustainability and innovation leadership in the industry Increase reliance on sustainable energy sources 	<ul style="list-style-type: none"> Expansion of manufacturing capabilities and capacities Widen value-added synthetic portfolio Technical developments through collaborations Increase contributions from sustainable manufacturing methods
Short-term goals ROCE>15% Gearing< 55%	Medium-to-long term goals ROCE>18% Gearing< 55%

SASB DISCLOSURES

Table: Apparel, Accessories and Footwear Standard- Sustainability Disclosure Topics & Accounting Metrics

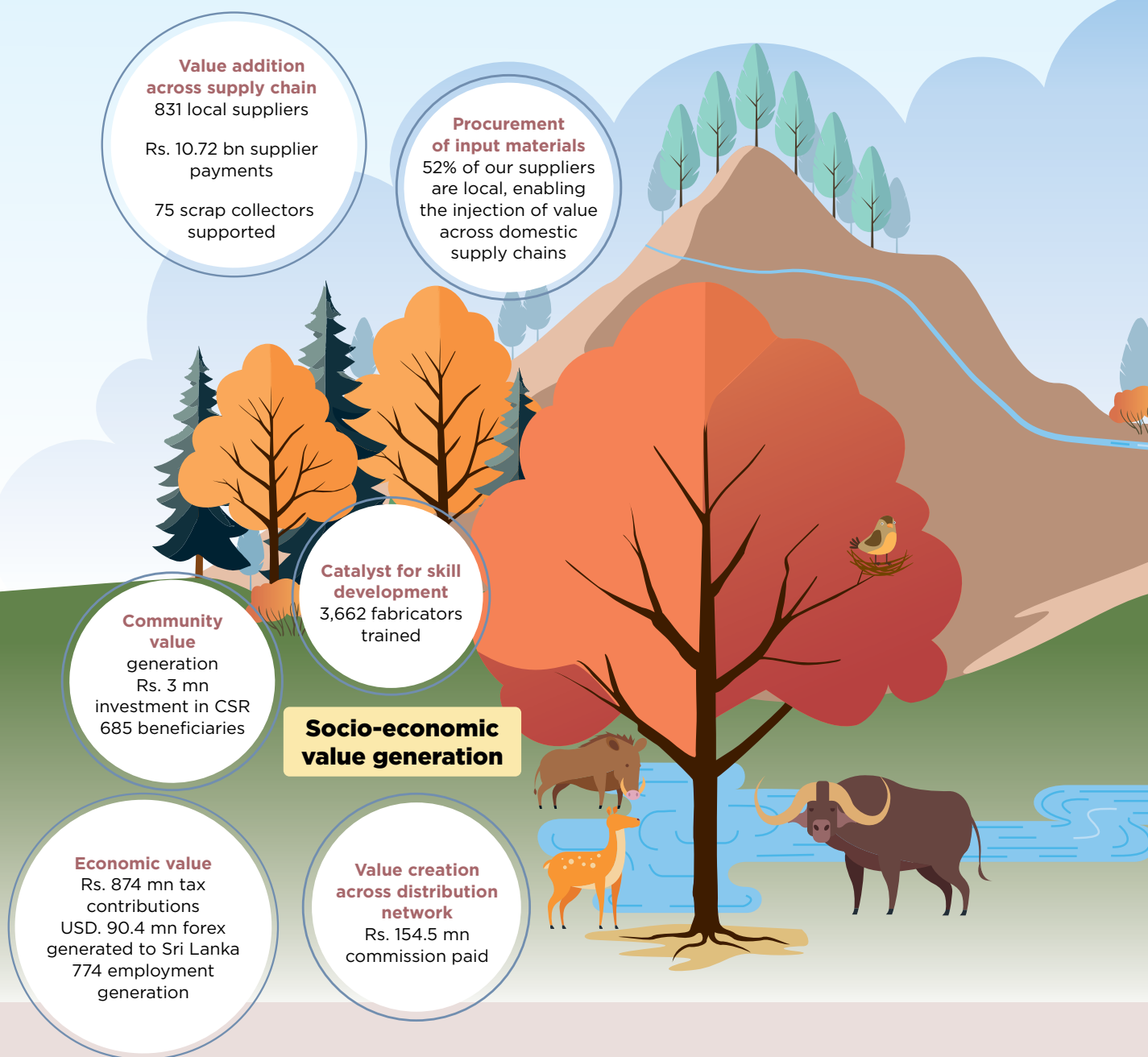
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	N/A	CG-AA-250a.1	Compliance to ZDHC Standard
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement ²	%	CG-AA-430a.1	91% 86%
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	%	FB-AG-130a.1	86%
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	%	CG-AA-430b.1	84% assessed for labour code of conduct of which 82% have been audited by 3rd party verifiers
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	Rate	CG-AA-430b.2	N/A
	Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain	N/A	CG-AA-430b.3	Refer to page 108
ACTIVITY METRICS				
Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1		Number	CG-AA-000.A	58



CONSTRUCTION MATERIALS

As the largest manufacturer and exporter of aluminium extrusions in Sri Lanka, the Sector is a significant value creator to the local economy through direct and indirect employment creation, foreign exchange generation and skill development and capacity building across the Sri Lankan aluminium products value chain

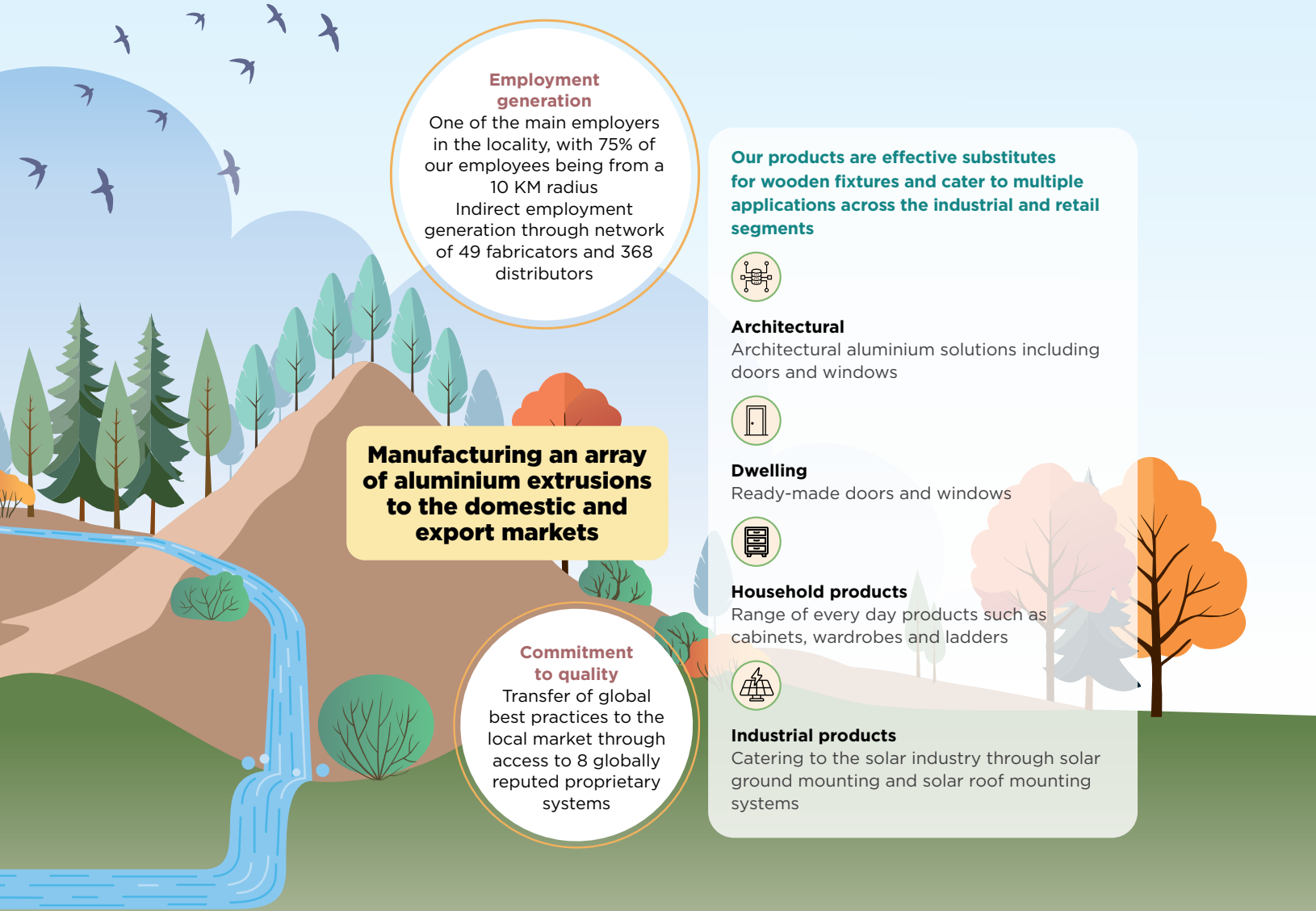
CONSTRUCTION MATERIALS










Rs. 3.60 bn
Economic value creation



2%
Contribution to Group's value creation



						
Revenue Rs. 9.94 bn (-2%)	Profit Before Tax Rs. 231.72 mn (+51%)	Profit After Tax Rs. 186.07 mn (+1923%)	Assets Rs. 12.87 bn (+22%)	Liabilities Rs. 8.39 bn (+25%)	Employees 774 (+5%)	Carbon footprint 9,519 tCO ₂ e (+7%)

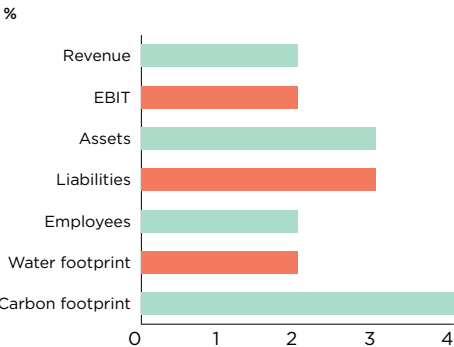
+ denotes y-o-y growth - denotes y-o-y decline

CONSTRUCTION MATERIALS

SECTOR OVERVIEW

The Sector is represented by Alumex PLC, Sri Lanka’s pioneering and largest manufacturer of aluminium extrusions. With a market share of over 46%, the Sector has built a strong reputation for product design, quality and innovation. The Sector’s world-class design and manufacturing capabilities has also enabled it to enter overseas markets and Alumex is currently the largest Sri Lankan exporter of aluminium extrusions.

CONTRIBUTION TO GROUP



5%
Decline in global
Aluminium prices



21%
Contraction in
construction industry

OPERATING ENVIRONMENT

The Sector’s performance is correlated to the country’s construction industry, which experienced yet another year of multiple challenges. Construction industry activity contracted by over 21% in 2023 reflecting protracted impacts of the country’s economic crisis of 2022 which saw sharp depreciation of the Sri Lankan Rupee, subdued consumer sentiments inflationary pressures and tightening monetary policy.

Meanwhile, construction sector value chains remained cash strapped for most part of the year, although improving by December 2023 following a liquidity injection by the government. The cost of construction materials remained elevated for most part of the year, although easing from the unprecedented highs of 2022 as import restrictions were eased. Accordingly, aluminium prices in Sri Lanka declined by 8% during the reviewed period, while global prices eased off around 5% to end the year at around USD2,200/MT. The outlook, however, remains promising for 2024/25, as evidenced by the gradual pick up of demand and volumes in the last quarter of the financial year.

COMPETITIVE POSITION

A host of **local and international certifications** including QMEA, QUALANOD, QUALICOAT and several ISO Standards

Manufacturing rights for 8 globally renowned **proprietary systems for Aluminium windows**

Strong presence in South Asia and pursuing growth in high-value added markets in Europe and North America, Australia and New Zealand

As the **largest manufacturer in Sri Lanka** the Sector has an annual capacity of 22,0000 MTs. Infrastructure includes

- Extrusion, melting, powder coating and anodising plants
- 9 distribution centres
- 13 Lumin Concept centres

Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Contraction of the Sri Lankan economy	H	- Weak consumer sentiments - Curtailment of discretionary expenses amidst reduced purchasing power
	Inflationary pressures	M	- Relatively high (albeit easing) cost of construction materials
	Reduction in interest rates	M	+ Reduction in borrowing costs
	Volatile and uncertain global construction landscape	M	- Subdued demand from export markets
Industry context	Government efforts to revive sector through liquidity injections	H	+ Tepid recovery of demand towards the latter part of the financial year
	Strong growth in Sri Lanka's solar market	H	+ Increased demand for aluminium components required for solar installations
	Long-term trend of increased sophistication of customers	M	+ Customers are increasingly placing more value on design, durability and aesthetics
Sustainability context	Increasing ESG consciousness along the construction value chain	M	- Push towards decarbonising value chains
	Increasing stringency of environmental regulations	M	- Regulations such as the Carbon Border Adjustment (CBAM) mechanism will reduce global competitiveness unless efforts are made to cut emissions

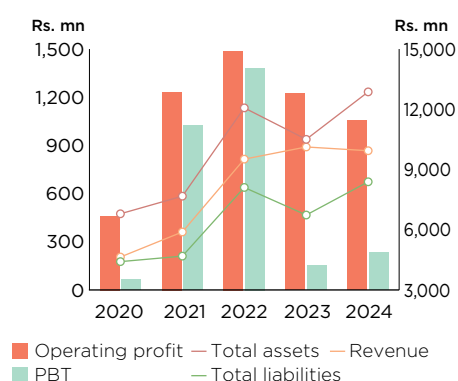
H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector's performance inevitably reflected the dynamics of the country's construction sector. However, strategic focus on exports together with relentless pursuit of operational efficiencies and a gradual recovery in demand during the last quarter of the year enabled the Sector to post turnaround during the year. Despite the conditions that prevailed, the Sector achieved a commendable volume growth of 17%, reflecting continued growth in exports as well as complementary demand stemming from the growth in the solar segment. Capacity utilisation levels improved

marginally from 27% the year before to 30%. Despite volume growth Revenue declined by 2% to Rs. 9.94 bn increased by 8% to Rs. 10.98 bn, as the Sector passed on the benefit of cost reduction to customers in an increasingly price conscious and price competitive market. Resultantly, the Sector's operating profit margins also narrowed to 10% from 12% the previous year. Ongoing focus on cost efficiencies continued to accrue benefits, with the Sector generating cost savings of approximately Rs. 271.2 mn through over 12 cost reduction projects across the organisation. Overall, the Sector generated a Profit Before Tax of Rs. 231.72 mn compared

SECTOR FINANCIAL PERFORMANCE



CONSTRUCTION MATERIALS

to Rs. 153.54 mn the previous year, while Profit After tax amounted to Rs. 186.07 mn (2022/23: Rs. -10.21 mn)

Growing exports continued to be a strategic focus for the Sector as it pursued new customer acquisition and deeper relationships with existing customers in key markets in the USA and European Region. Accordingly, the Sector achieved a 21% growth in export volumes during the year, contributing approximately 35% to total Revenue. The Sector intends to double contributions from exports over the short-to-medium term, leveraging its design and manufacturing capabilities to drive increased penetration of value-added products.

Over the years, Alumex has built a strong reputation for innovation introducing several 'firsts' to the Sri Lankan industry. The year under review, saw the addition of several value-added products catering to export markets, including fences, balconies and artificial walls among others. The Sector also expanded offerings under the Dwellings range (the do-it-yourself range for the domestic market) while also launching several products catering to the industrial segment. Commendable growth was also seen in the aluminium kitchen cabinets market, given its durability and sustainability compared to timber solutions.

The Sector's people strategy for the year centered on improving succession planning and building leadership capabilities, particularly given the exodus of middle management employees due to migration. Employee turnover amounted to 18% during the year, while attraction remained a challenge given the country's

talent migration as well as industry dynamics. Employee engagement also remained a priority, with considerable investments directed towards recreation and well-being.

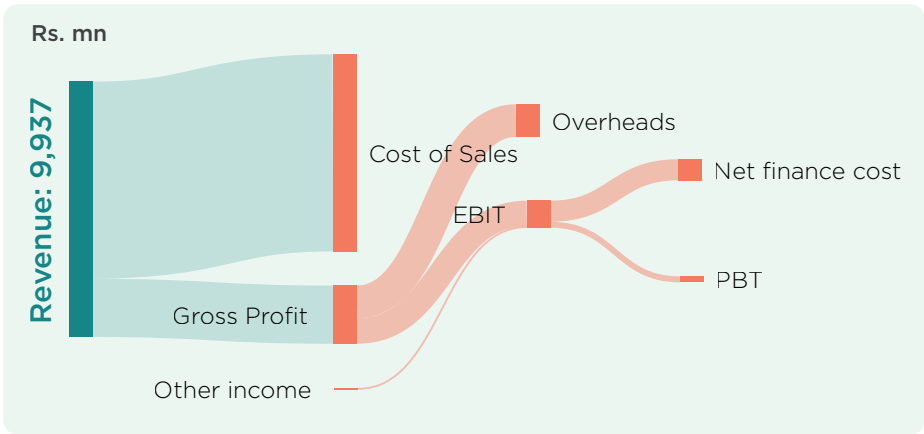
Alumex is a catalyst for skill development across the aluminium value chain, delivering training sessions to diverse industry stakeholders including fabricators, dealers, engineers and students of the Vocational Training Authority and NAITA among others (refer to table below for further information). Alumex also entered a MOU with the Department of Technical Education and Training during the year to develop a state-of-the-art technical aluminium fabrication training center, with the objective of uplifting the industry. During the year, the Sector also sought to develop a new channel of fabricators for the Dwellings range, thereby facilitating economic opportunity and empowerment of nearly 150 fabricators across the island.

ESG IN ACTION

The Sector's ESG aspirations are aligned to the Hayleys Lifecode as well

as the industry-specific requirements of the Aluminium Stewardship Initiative (ASI)- a global collaboration which aims to foster responsible production, sourcing and stewardship of aluminium. The Sector's ESG agenda centers on curtailing emissions through energy efficiencies, reducing reliance on virgin aluminium and developing the aluminium ecosystem in Sri Lanka. Key developments in integrating ESG are listed below:

- Establishment of Sector ESG Steering Committee
- Commence formulation of the Sector's ESG Roadmap, which will be launched in 2024/25
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

High-quality, durable products at attractive pricing and after-sales support



BUSINESS PARTNERS/FABRICATORS

Opportunities for business growth, skill development and transfer of knowledge



EMPLOYEES

Competitive remuneration, opportunities for skill and career progression



GOVERNMENT

Generation of tax revenue, export income and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Export drive

Rs. 23 mn

Sales and marketing expense in export markets

27

New products for the export market

21%

Growth in export volumes

18

New export customers acquired

Innovation and product development

Rs. 9.5 mn

Investment in research and development

29

New products developed

67

Products in the pipeline

Cost management and efficiencies

12

Lean projects across the organisation

125

Employees engaged through

12 teams

Rs. 271 mn

Cost savings generated

Resource Allocation

Strategic KPI/Pre-financials

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year decrease by 12% in view of the challenging industry conditions
- Payments to employees increased by 18% during the year
- Value generated to Governments amounted to Rs. 874.01 mn (accounting for 24% of value)
- Payments to lenders of capital decrease by 49%
- Value retained in the business for future investment amounted to Rs.412 mn compared to Rs.325 mn the previous year



VALUE DISTRIBUTION



CONSTRUCTION MATERIALS

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	9,937	10,124	(2%)	9,518
Earnings before interest and tax	1,053	1,222	(14%)	1,488
Net finance income/(cost)	(821)	(1,069)	(23%)	(106)
Profit before tax	232	153	51%	1,382
Profit after tax	186	(10)	1923%	1,152
Assets	12,866	10,503	22%	12,070
Liabilities	8,390	6,736	25%	8,108
Operating cash flow	(1,366)	542	(352%)	(820)
Performance against targets				
	Target	Actual	Reason for variance	
GP of products	>12%	6%	Price reduction during the year	
Gearing	<50%	66%	Loans obtained for investment in working capital	
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Production volumes (MT)	5926	4,831	23%	8,602
Capacity utilisation (%)	27%	22%	23%	44
Energy intensity (GJ/Revenue Rs.mn)	8	8	-	12
Water intensity (Litres/Revenue Rs.mn)	11,744	8,666	36%	11,441
Carbon intensity (tCO2e/Revenue Rs.mn)	0.96	0.88	9%	1
No. of employees	774	734	5	879
Revenue per employee (Rs.mn)	13	14	9%	11
Remuneration per employee (Rs.mn)	1.82	1.62	75%	2

ESG HIGHLIGHTS



CLIMATE ACTION AND ENERGY EFFICIENCY

While the use of recycled aluminium is expected to drive a reduction in the Sector's Scope 3 emissions, the reduction in direct emissions during the year has been supported by,

- Modifications to rectifiers to enable higher energy efficiency
- Replacing existing compressors with new screw type models which enable considerable energy savings
- Exploring alternative fuel sources to diesel

	2024	2023	Y-o-y
Energy consumption (GJ)	81,117	82,654	-2%
Carbon footprint (tCO2e)	9,519	8,880	+7%

Fabricator training through Alumex Training School

Established in 1998, the Training School provides both in-house and offsite fabricator training courses free of charge to diverse industry stakeholders with the aim of,

- Developing skills of apprentices, fabricators and consultants
- Raise awareness on modern methods in fabrication
- Introduction to appropriate equipment, accessories and safety

Driving circularity

61%

Reliance on recycled aluminium

Target: 80%

The Sector increased the use of used beverage cans through 50 collection points in the Western Province

181 MT

Use of beverage cans



Employee value creation

The Sector continues to invest in long-term CSR and community development projects including the following:

- Give the Gift of Sight campaign 2023 with Helpage Sri Lanka: 260 cataract surgeries
- Book and stationary donations to impoverished schools
- Reforestation Project at Rathambale Kanishta Vidyalaya in partnership with the Department of Wildlife Conservation

PROSPECTS AND PLANS

Despite the short-term volatilities Sri Lanka's construction sector is poised for recovery in 2024/25, supported by the stabilising macro-economic fundamentals, improved tourism earnings and conducive interest rates. With the recovery of private sector investments in the construction industry, we are optimistic that the residential and industrial segments will record gradual growth over the next few months. Key risks and opportunities that are likely to shape the industry landscape over the short, medium and long-term are given below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+ Stabilising macro-economic conditions

The gradual recovery of the economy and tapering inflation is expected to support the recovery of residential projects

Response

Leverage on brand, customer relationships and customer touchpoints to offer attractive pricing and innovative solutions catering to emerging demands

+ Commencement of large-scale projects

Most suspended large-scale projects are expected to recommence in the near term, following more conducive macro-economic conditions

Response

Leverage on brand, customer relationships and customer touchpoints to offer attractive pricing and innovative solutions catering to emerging demands

+ Demand for alternatives to wood fixtures

With customers increasing preference for sustainable, lightweight, corrosion free and durable solutions, the demand for alternatives to wood fixtures is expected to record continued growth

Response

Widen product range beyond conventional applications to new segments such as kitchen cabinets and wardrobes

+ Customer demand for convenience

Busy lifestyles and shortage of construction sector labour is fuelling demand for DIY solutions

Response

Expansion of product offerings under the Dwelling brand

Sustainability related risks and opportunities (SRRO)

Industry decarbonisation

The Aluminium Sector is a significant emitter of greenhouse gas emissions and the regulations pertaining to tackling emissions along the value chain is evolving rapidly

< 1 year	Transitional phase of CBAM with exporters to EU expected to commence reporting
1-5 years	Taxes correlated to the carbon emissions of exports to EU could reduce competitiveness if emissions are unabated
>5 years	Businesses who are unable to comply with these evolving requirements will be challenged to survive
Response	Widening the scope of the carbon footprint computation to include Scope 3 emissions and formulating a roadmap for curtailing emissions

Sustainability as a competitive edge

Strategic integration of sustainability presents significant opportunities for market access, particularly in the EU region

< 1 year	Limited opportunities in the short-term, although demand patterns are showing signs of shifting
1-5 years	More pronounced demand for sustainable products in line with more stringent environmental regulations from the EU
>5 years	Organisations with weak sustainability practices are likely to face severe competition and be challenged to survive
Response	Formulation of the Sector's ESG Roadmap to identify avenues for strategic integration

Sri Lanka's shift to renewable energy

According to Sri Lanka's Net Zero plan, the country is gearing to scale up renewable energy to be 70% of total energy consumption by 2030

< 1 year	Gradual increase in fossil-fuel based energy prices and resultant shift to solar power
1-5 years	Anticipated price revisions to fossil fuel costs to drive increased investments in renewable energy.
>5 years	Energy intensive industries are likely to shift entirely to renewable energy, generating both economic and environmental benefits
Response	Driving energy efficiency initiatives as a strategic focus on pursuing investments in solar and other renewable energy sources



CONSTRUCTION MATERIALS

The Sector remains optimistic on the medium-to-long term growth potential of the country's construction sector and given current capacity utilisation levels of around 30%, Alumex is well positioned to capitalise on the release of pent-up demand. The Sector will seek to further strengthen its leadership position in the local market, while driving aggressive penetration in exports.

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Develop existing and new export markets with focus on US, Europe and Oceania Strengthen value added propositions in export markets Grow solar market in both residential and industrial segments Increase contributions from premium products such as satin finish and die cast 	<ul style="list-style-type: none"> Develop customers across 5 continents and set up sales offices in key markets Increase dealership network to drive regional penetration Widen brand portfolio to include premium brands Development of fabricators to manage proprietary systems
Short-term goals ROE>15%	Medium-to-long term goals ROCE>30% Gearing< 40%

SASB DISCLOSURES

Table: Construction Materials Standard- Sustainability Disclosure Topics & Accounting Metrics

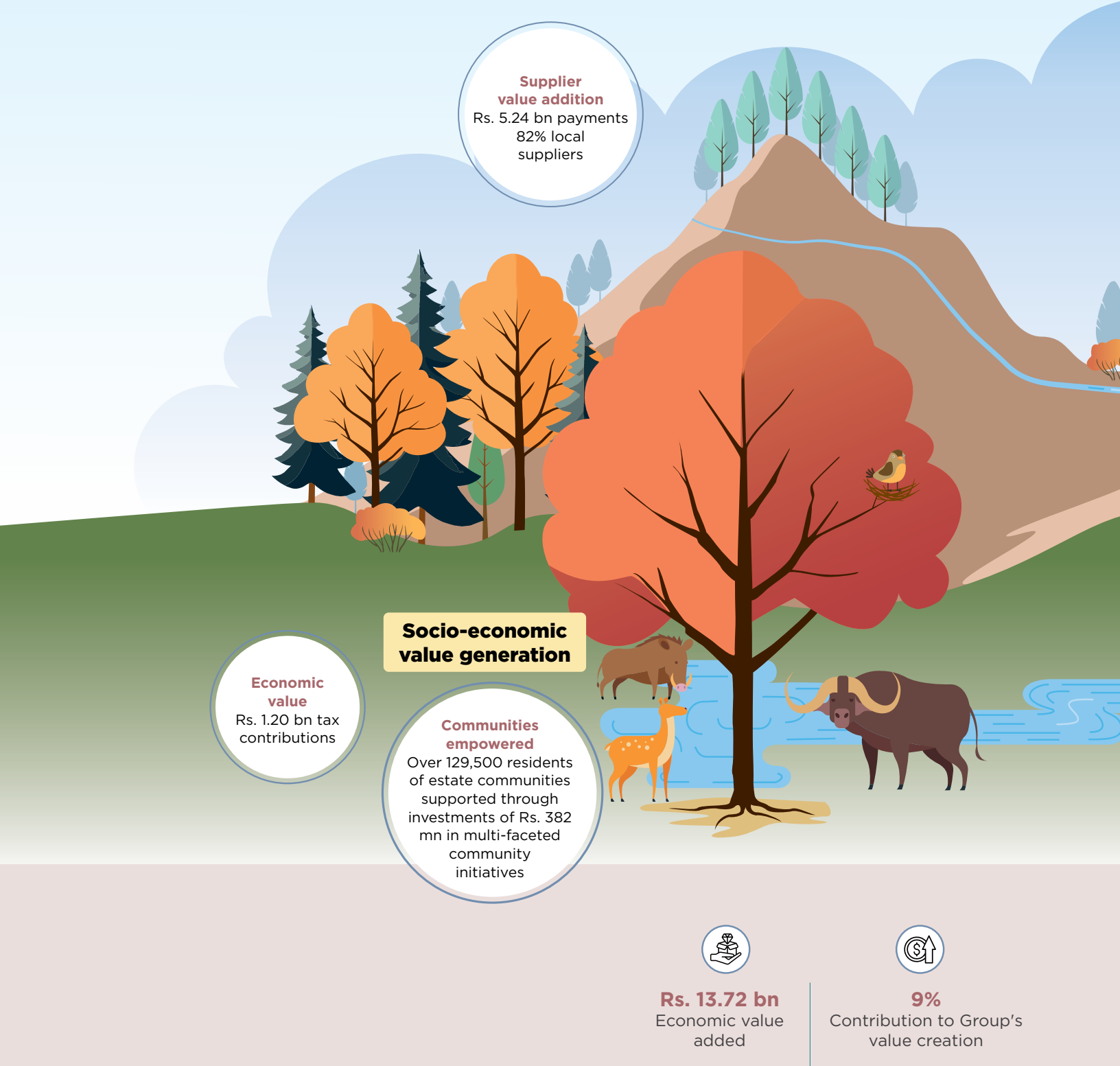
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Mt	EM-CM-110a.1	4,248
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	EM-CM-110a.2	We plan to increase reliance on renewable energy by installing more solar panels, and we hope to drive reductions in energy intensity by investing in machine upgrades and implementing power analysers.
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) Sox	Mt	EM-CM-120a.1	Not available
Energy Management	(1) Total energy consumed	GJ	EM-CM-130a.1	81117GJ
	(2) Percentage grid electricity	%		92.05%
	(3) Percentage alternative	%		7.95%
	(4) Percentage renewable	%		7.95%
Water Management	(1) Total fresh water withdrawn	(m3),	EM-CM-140a.	84458 m3
	(2) Percentage recycled			1.69%
	(3) Percentage in regions with High or Extremely High Baseline Water Stress	Percentage (%)		Not available
Waste Management	Amount of waste generated	Metric tons (t),	EM-CM-150a.1	974.32MT
	Percentage hazardous	Percentage (%)		76.01%
	Percentage recycled			34.15%
Biodiversity Impacts	Description of environmental management policies and practices for active sites		EM-CM-160a.1	None
	Terrestrial acreage disturbed, percentage of impacted area restored	Acres (ac), Percentage (%)	EM-CM-160a.2	None
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) Near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Rate 02. N/A	EM-CM-320a.1	01.a 1.16 / 01.b -0

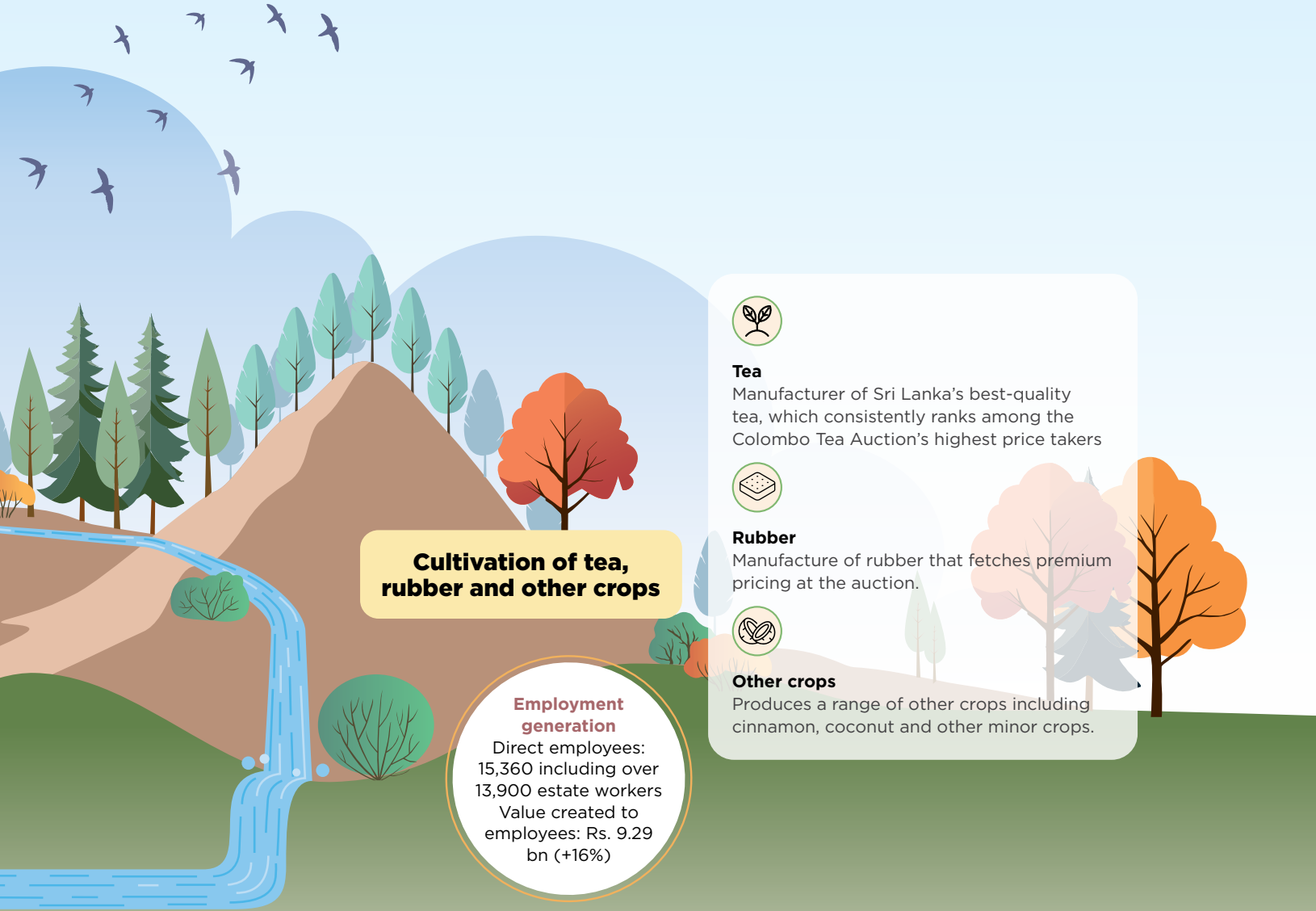


PLANTATIONS

The Group's three regional plantation companies (RPCs), Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC and Horana Plantations PLC rank among the country's most sustainable, innovative and profitable plantation companies driving the industry forward through embracing nature-positive agriculture, equitable remuneration models and technology-driven transformation.

PLANTATIONS





**Cultivation of tea,
rubber and other crops**

**Employment
generation**

Direct employees:
15,360 including over
13,900 estate workers
Value created to
employees: Rs. 9.29
bn (+16%)



Tea

Manufacturer of Sri Lanka's best-quality
tea, which consistently ranks among the
Colombo Tea Auction's highest price takers



Rubber

Manufacture of rubber that fetches premium
pricing at the auction.



Other crops

Produces a range of other crops including
cinnamon, coconut and other minor crops.



Revenue

Rs. 18.10 bn
(+11%)



**Profit Before
Tax**

Rs. 3.5 bn
(-34%)



**Profit After
Tax**

Rs. 2.3 bn
(-40%)



Assets

Rs. 25.2 bn
(+5%)



Liabilities

Rs. 12.35 bn
(+5%)



Employees

15,360
(+23%)



**Carbon
footprint**

26,122 tCO₂e
(+40%)

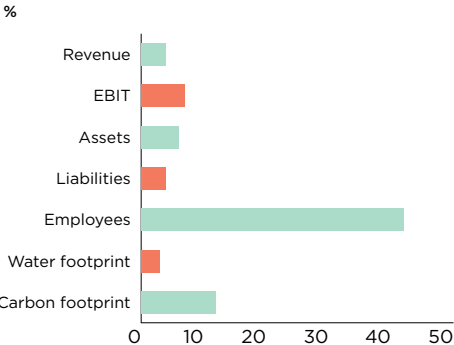
+ denotes y-o-y growth - denotes y-o-y decline

PLANTATIONS

SECTOR OVERVIEW

As one of the country’s largest plantation groups, the three RPCs under Hayleys, collectively cultivate over 13,800 hectares of tea and rubber across 55 estates. The Hayleys Plantation companies have played a key role in driving Sri Lanka’s tea sector forward, redefining industry standards in sustainability, innovation and quality. The long-term viability of Sri Lanka’s tea sector is being threatened by rising costs, intensifying implications of climate change and increased volatility of prices. At this critical juncture, the Hayleys Plantation companies are at the forefront of propelling the industry’s transformation to a modern, dynamic and sophisticated industry, in which stakeholder value is equitably distributed across the entire value chain.

CONTRIBUTION TO GROUP



KELANI VALLEY PLANTATIONS PLC

Produces of tea, and rubber in 25 estates

Contribution to Sector

Revenue: 40%
PBT: 37%

Performance 2023/24

Revenue: 12% decline
PBT: 53% decline



TALAWAKELLE TEA ESTATES PLC

Produces tea in 16 estates

Contribution to Sector

Revenue: 42%
PBT: 57%

Performance 2023/24

Revenue: 5% decline
PBT: 36% decline



HORANA PLANTATIONS PLC

Produces, tea, rubber, oil palm and coffee in 14 estates

Contribution to Sector

Revenue: 18%
PBT: 6%



Following its acquisition on the 31st of March 2023, Horana Plantations has been consolidated to this year’s performance. From FY 2023/24, Mabroc Teas and Martin Bauer Hayleys (which were previously categorised in the Plantations Sector) have been classified as a separate sector under Tea Exports. Kindly refer to page 235 for the Tea Exports Sector Review.

OPERATING ENVIRONMENT

Sri Lanka’s tea production increased marginally to 256.04 mn Kgs in 2023 as the industry struggled to recover

from detrimental policy decisions and worsening implications of climate change. Meanwhile, tea prices (in rupee terms) declined by 7% in 2023, in view of the appreciation of the Sri Lankan Rupee – a trend which persisted in the first quarter of 2024. The surge in chemical fertilizer prices, coupled with significant variability in rainfall and persistent labour shortages continue to affect the long-term sustainability of the country’s tea industry. While prices commanded at the Colombo Tea Auction remained elevated in comparison to counterparts, Sri Lanka’s international competitiveness is being threatened by high cost of production, relatively low yields and inadequate plucking. Changing aspirations of the younger generations continue to drive increased labour migration from the estate sector, resulting in significant labour shortages.

COMPETITIVE POSITION

Sri Lanka’s largest plantation sector group, collectively accounting for **4.6% and 4.1% of the country’s tea and rubber cultivation**

Consistently ranking as the top 3 prices takers in the Colombo Tea Auction, the three companies have continued to command a premium over national sales average (NSA)

Among the most awarded companies in Sri Lanka with the Sector winning a total of **119 awards** during the year

Benchmark of quality as the most **certified plantation companies** in Sri Lanka, which includes 38 certifications and 14 management systems across all three RPCs

Meanwhile, Sri Lanka's rubber industry witnessed yet another year of considerable challenges with total production falling by 10% in view of excessive rain and pest attacks. These challenges were further compounded by the appreciation of the Sri Lankan Rupee which led to a 6% decline in rupee prices.


+2%

Growth in Sri Lanka's tea production


-18%

Decline in tea prices (in rupee terms)


-10%

Decline in Sri Lanka's rubber production

Summary of external drivers

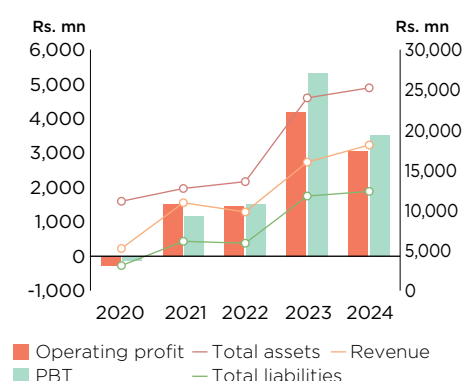
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	H	- Lower prices commanded by exporters in Rupee terms
	Increase in energy costs	M	- Adverse implications on cost of production
	Global geo political tensions	H	- Decline in export volumes to both Russia and Ukraine, which are among Sri Lanka's largest tea markets
Industry context	Persistent labour shortages due to migration from estates	H	- Inadequate plucking and resultant loss in crop
	High cost of labour	H	- Impact on profitability margins
	Relatively low labour productivity	M	+ Increased cost of compliance
	Global surge in fertilizer prices	M	- Adverse impacts on cost of production
Sustainability context	Increasing focus on health and well-being	M	+ Global recognition of tea as a beverage with significant health benefits
	Escalating implications of climate change including variability rainfall patterns and temperature	M	- Implications on quality, yield and quantity of tea

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

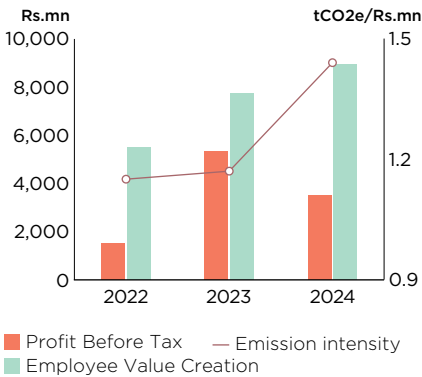
The Sector adopted a strategic reset during the year, with the aim of driving transforming its plantation management approach to dynamic and holistic value-added systems management. Accordingly, strategic focus was placed on creating social business enterprises through more equitable remuneration models, regenerative agriculture and data-driven decision making. While these interventions entail long-term outcomes, the Sector's results for the year attest to the significance of these actions; the Sector generated a Revenue growth of 13% to Rs. 18.13 bn during the year reflecting the consolidation of Horana Plantations PLC. Production volumes grew by 3% compared to the industry growth of 2%. Sector profitability was inevitably impacted by the fall in prices and the appreciation of the Sri Lankan Rupee, which resulted in Profit Before Tax and Profit After Tax declining by a respective 34% and 40% during the year.

SECTOR FINANCIAL PERFORMANCE



PLANTATIONS

INTEGRATED PERFORMANCE



The critical challenge of labour shortages in the industry is driven by the perception of low dignity associated with working in estates. In addressing this issue, the Hayleys Plantations have sought to dismantle the archaic daily-wage based system through introducing an innovative revenue share model, aimed at creating social business enterprises within the estates. Offering increased flexibility in working hours and directly linked to productivity, the new model enables workers to multiply their earnings through an entrepreneurial model. Meanwhile the Sector continues to invest in strengthening engagement between estate workers and the management teams, building camaraderie and driving goal congruence across the business. The Sector invested a total of Rs. 30.41 mn in training and development initiatives during the year, translating to total training hours of over 123,000. It is noteworthy that all three companies with the Sector have obtained the 'Great Place to Work' certification, attesting to the strength of its employee value propositions.

Regenerative agriculture is a key pillar of the Sector's strategy and is aimed at revitalising relationships between ecosystems, soil, human and crops. Key developments during the year included expanding the coverage of manual weeding to generate compost, resulting in the Sector increasing its

organic fertilizer, thereby improving soil health through the use of biochar and organic soil enrichment, biodiversity assessments (refer table below) and preservation of natural ecosystems. The Sector is also actively pursuing crop diversification, with increased investments being deployed towards expanding coconut and coffee production during the year.

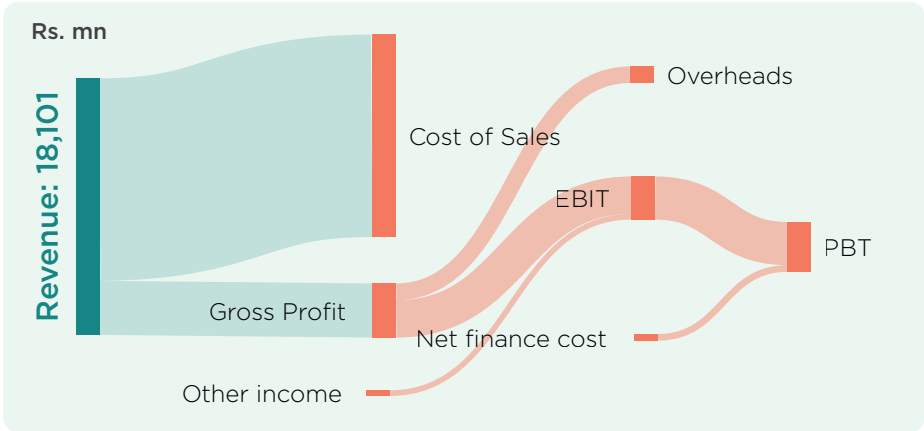
The Sector also continues to drive socio-economic empowerment in one of the country's most vulnerable communities through ongoing investments in its unique and holistic initiative 'Home for Every Plantation Worker' programme. Investment in this programme amounted to Rs. 313 mn during the year with a total beneficiary base of more than 411,000.

As an industry pioneer and leader in plantation sector sustainability, the Sector continued to be recognised both locally and internationally for excellence in social and environmental commitment. In a landmark achievement, TTE was recognised with the prestigious 'Best Corporate Citizen Sustainability Award 2023', sweeping the awards with the highest-ever number of wins by one company and marking the first-time in history in which a plantation company won the flagship award. TTE was also recognised as Sri Lanka's sole representative in the UN Global Company-Accenture SDG Stocktake Report in 2023.

ESG IN ACTION

As an industry that is deeply interconnected to both the natural environment and surrounding communities, sustainability has always been part of the Sector's DNA supporting its social license to operate and commercial viability. The Sector's commitment to embedding ESG into its' operations and strategy has been recognised through numerous accolades, certifications and recognition. During the year, the Sector focused on strengthening its sustainability governance and risk management practices and key developments during the year are listed below:

- Establishment of Sector ESG Steering Committee with representation from all 3 RPCs
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2023/24)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

High quality produce, cultivated using environmentally and socially responsible business practices



EMPLOYEES

Competitive remuneration, increased dignity of labour and opportunities for skill and career progression



GOVERNMENT

Generation of tax revenue, supporting empowerment of estate workers and communities, indirect foreign exchange generation and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Transforming labour dynamics

Ongoing worker awareness and engagement on potential benefits of new remuneration model



Workers shifted to Revenue-share model

10%
Increase in payments to workers

Regenerative agriculture

Rs.780 mn
Investments in replanting
Rs.54 mn
Investments in new crops
300 MT
Organic fertilizer applied



Rs.87 mn
Revenue from crop diversification

Commitment to quality

38
Certifications
14
Management systems implemented



Top 3 price takers at CTA

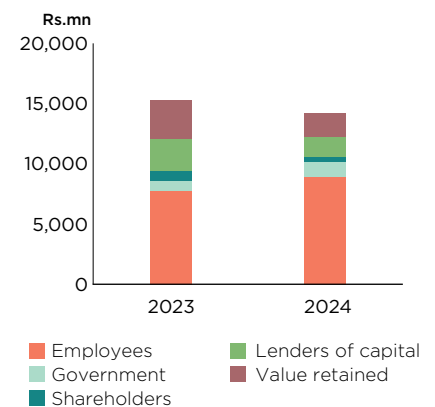
119
Awards won during the year

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 5% reflecting the normalisation of tea prices
- Payments to employees increased by 16% during the year
- Value generated to Governments amounted to Rs. 1.20 bn and 8% of the total value created
- Payments to lenders of capital decreased by 39%
- Value retained in the business for future investment amounted to 14% compared to 22% the previous year



VALUE DISTRIBUTION



PLANTATIONS

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	18,101	16,313	11	9,795
Earnings Before Interest and Tax	3,052	4,186	(27)	1,439
Net Finance Income/(Cost)	473	762	(38)	34
Profit Before Tax	3,525	5,354	(34)	1,520
Profit After Tax	2,254	3,767	(40)	1,500
Assets	25,244	23,991	5	13,568
Liabilities	12,354	11,777	5	5,907
Operating Cash Flow	2,415	4,183	(42)	7,662
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>10%	19%	In line with target	
ROE	KVPL/TTEL<10% Horana <30%	5% 68%	Normalisation of tea prices in comparison to the previous year	
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Production volumes (MT)				
- Tea	11,774	11,444	3	13,464
- Rubber	2,639	3,361	(21)	3,771
Average pricing of tea (Rs/KG)				
- TTE	1,230	1,517	(19)	718
- KVPL	1,167	1,501	(22)	718
- HPL	1,066	1,310	(18)	625
Energy Intensity (GJ/Revenue Rs.mn)	33	15	120	40
Water Intensity (Litres/Revenue Rs.mn)	12,181	5,683	114	9,670
Carbon Intensity (tCO2e/Revenue Rs.mn)	1.44	1.17	23	0.74
No. of Employees	15,360	12,451	23	13,906
Revenue per Employee (Rs.mn)	1.18	1.28	(8)	0.70
Remuneration per Employee (Rs.mn)	0.61	0.62	(1)	0.4

ESG HIGHLIGHTS



CLIMATE ACTION

- Increased reliance on biomass, hydro and solar power
- TTE and HPL have committed to the SBTi, with the former being the first plantation company in the world to obtain verification of its targets
- Sector's emission reduction agenda centers on the use of renewable energy and reducing dependence on chemical fertilizer

	2024	2023	Y-o-y	Target
Carbon footprint (tCO2e)	26,122	18,710	40	Based
Reliance on renewable energy (%)	84	75	9	on SBTi

WOMEN IN LEADERSHIP

TTE launched a historical initiative to empower women to achieve career progression in the plantations sector.



24 females

promoted as field supervisors

28 females

harvesters recognised as team leaders

WORLD'S FIRST INTERNATIONAL PLANTATIONS SUSTAINABILITY SUMMIT



Towards Sustainable Plantations - Reimagined | Redesigned | Resilient

The Summit marked a collaborative effort between over 700 representatives from local and international academia, plantation operators, policy makers and others on the integration of biosphere, geosphere, social and economic elements in achieving long-term sustainability and equitable value sharing in the Plantations Sector

ADDRESSING PERIOD POVERTY



In a unique initiative aimed at addressing period poverty and driving economic empowerment, HPL set up women-led facility to manufacture reusable sanitary pads. The initiative has provided employment to 6 females from the community, including those with disabilities who are engaged in packaging.

PROSPECTS AND PLANS

The short-to-medium term outlook of the country's tea industry remains somewhat volatile at this juncture, reflecting global headwinds including geopolitical tensions and logistical disruptions as well domestic challenges including labour shortages, declining yields and escalating cost of production. Despite these challenges, the strategic foresight of Hayleys Plantations and interventions made to modernise and transform our estate operations is expected to augur well for the Group, enabling all three RPCs to maintain their standing as the most profitable, sustainable and high-quality producers of tea in Sri Lanka. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

⊖ Labour shortages in the plantation industry

Labour shortages in the plantation industry, driven by the changing aspirations of the younger demographic continue to pose a key challenge for the industry, resulting in high-turnover, low labour productivity and inadequate plucking.

Response

Transforming remuneration models to build an empowered, entrepreneurial workforce.

⊖ Escalating cost of production

Sri Lanka's cost of production continues to be higher than competing producers due to low labour productivity and declining yields, which over the medium to long-term is likely to affect the country's competitiveness in the international market

Response

Regenerative agricultural models focused on preserving soil quality and improving yields as well as interventions to improve labour productivity

⊖ Geopolitical tensions

Escalating geopolitical tensions in Sri Lanka's major tea markets have led to considerable volatility and is likely to impact demand and pricing over the short-term, which would be further compounded by potential logistical disruptions

Response

Ongoing monitoring of external developments and increased focus on value-addition

+ Transformation of the global beverage industry

Consumers are increasingly tilting towards products that contribute to their health and well-being, giving rise to the convergence of sustainability and wellness in beverages

Response

Strategic focus on ensuring superior quality of produce through certifications and adopting global best practices

Sustainability related risks and opportunities (SRRO)

Evolving requirements of buyers

Global customers are increasingly demanding responsible social and environmental practices along the entire value chain, necessitating higher supply chain visibility and traceability

< 1 year	Limited impact in the short-term
1-5 years	European customers are expected to strengthen due diligence along the value chain, given emerging regulations and disclosure requirements
>5 years	Anticipated stringency and global implementation of regulations driving ethical sourcing and traceability across value chains
Response	Assurance to customers through independent third-party verifications and compliance to a range of certifications on quality, sustainability and ethical business

Increasingly erratic weather patterns

Escalating implications of climate change have led to significant volatility in rainfall and precipitation levels as well as considerable fluctuations in temperature levels

< 1 year	Volatility in production levels and variations in quality
1-5 years	More pronounced impacts of volatile weather patterns, which will impact leaf quality, yields and prices
>5 years	If climate adaptation measures are not adopted, Sri Lanka's tea industry could suffer significant challenges
Response	Pursuing climate-smart and regenerative agriculture practices

Declining land productivity

Limited investments in replanting and infilling have led to long-term decline in productivity of Sri Lanka's tea lands, resulting in relatively lower yields

< 1 year	Limited impact in short-term
1-5 years	Further declines in yields and resultant escalation in cost of production is likely to affect Sri Lanka's international competitiveness in the global market
>5 years	Commercial viability of Sri Lanka's tea industry could be threatened
Response	Strategic focus on the use of organic fertilizer to preserve soil health and regenerative agricultural practices to improve yields



PLANTATIONS

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> • Drive improvements in yield through increasing plucking rounds and harvesting modules • Improving labour productivity through transforming remuneration models • Increase efficiency and efficacy of input materials • Increased crop diversification • Use of technology and mechanisation to drive increased efficiency 	<ul style="list-style-type: none"> • Pursue diversification of new crops including cinnamon, coconut and coffee • Increase reliance on renewable energy through investments in solar • Develop specialty teas catering to evolving customer requirements • Increased customer acquisition in rubber
Short-term goals ROE>10% Gearing<10% (TTEL/KVPL) Gearing<35% Horana	Medium-to-long term goals ROE>20% Gearing<10% (TTEL/KVPL) Gearing<35% Horana

SASB DISCLOSURES

Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

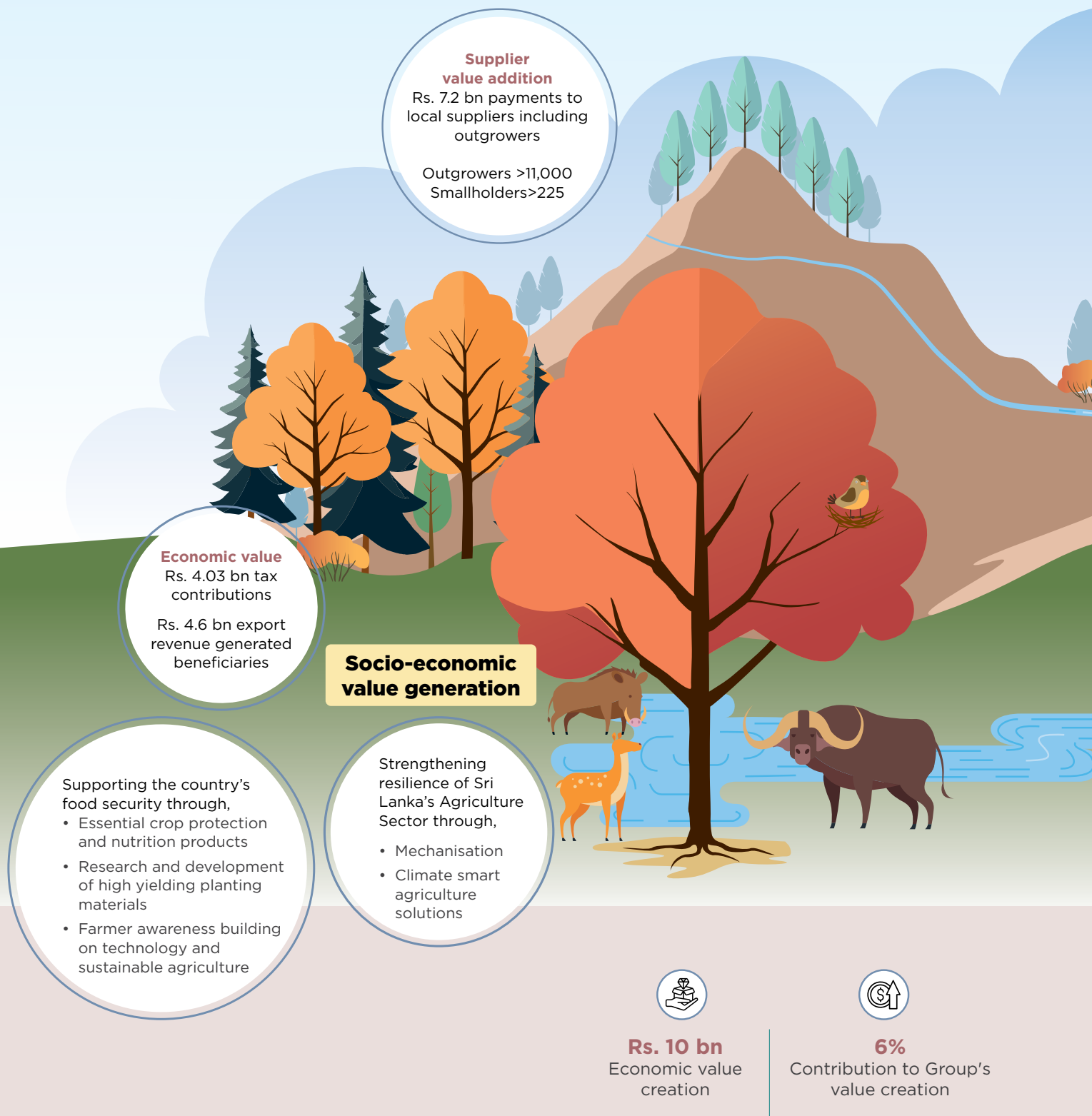
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO ₂ -e	FB-AG-110a.1	17,433
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	TTE has obtained verification of its targets from SBTi while the other RPCs are awaiting approval of targets
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	GJ %	FB-AG-110a.3	18,983
Energy Management	(1) Operational energy consumed	GJ	FB-AG-130a.1	507,530
	(2) Percentage grid electricity	%	FB-AG-250a.3	29%
	(3) Percentage renewable	%		84
	(1) Number of recalls issued	Number		NA
	(2) total amount of food product recalled	MT		
Workforce Health & Safety	(1) Total recordable incident rate (TRIR)	Rate	FB-AG-320a.1	10
	(2) Fatality rate			0
	(3) Near miss frequency rate (NMFR) for			0
	(a) direct employees and (b) seasonal and migrant employees			
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	Percentage (%) by cost	FB-AG-430a.1	N/A
Ingredient sourcing	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Refer to page 292
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			Sri Lanka is considered at high risk for water security
ACTIVITY METRICS				
Production by principal crop		MT	FB-AG-000.A	
Tea				11,774
Rubber				2,639
Number of processing facilities		Number	FB-AG-000.B	50
Total land area under active production		Hectares	FB-AG-000.C	16,738

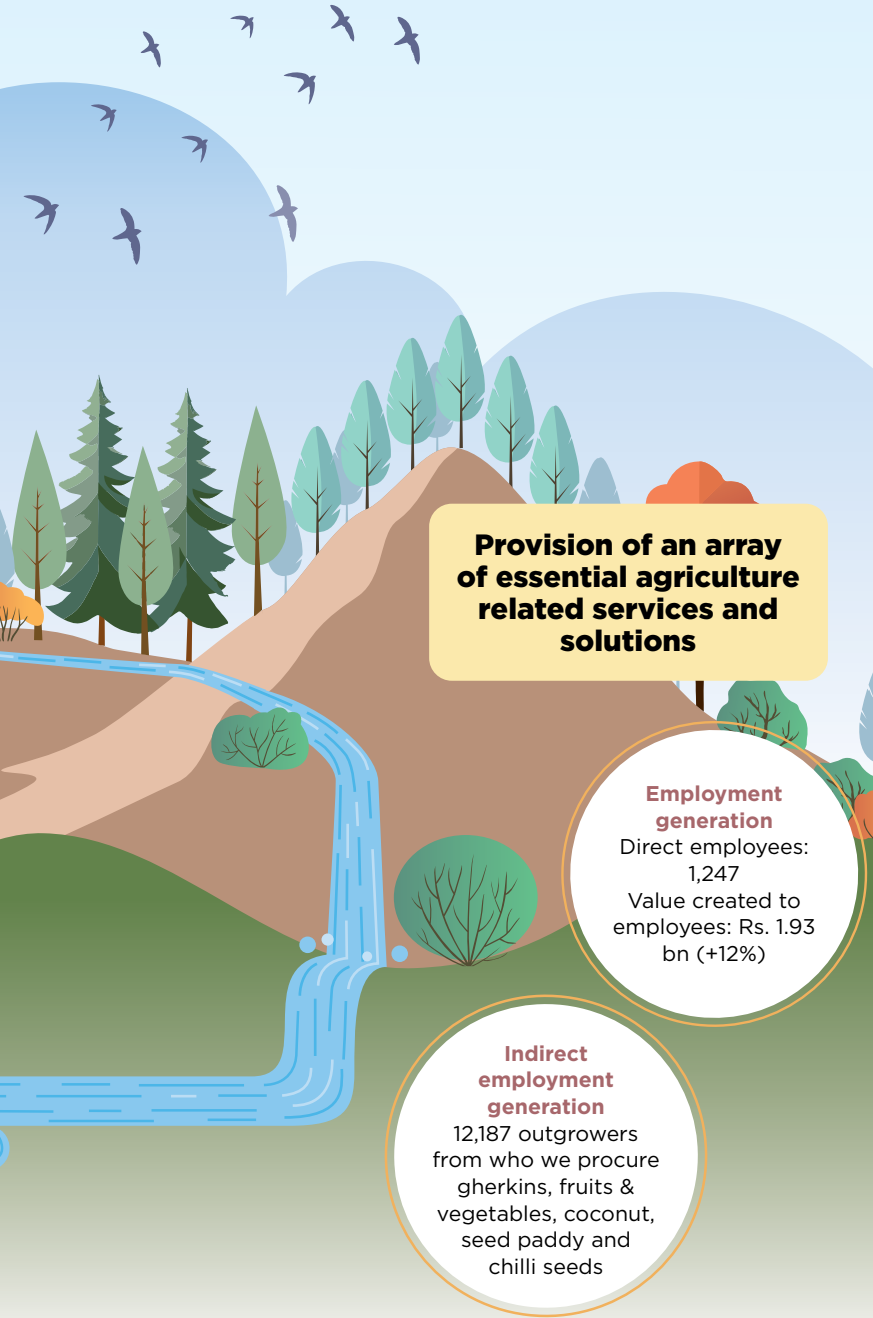


AGRICULTURE

The Group's Agriculture Sector (represented by Hayleys Agriculture Holdings Limited) drives unparalleled economic value across an extensive ecosystem of outgrowers, farmers and other agricultural producers through creating links to global supply chains, modernising Sri Lanka's agriculture industry and building capacity across networks through its widespread extension services.

AGRICULTURE





Crop Protection Solutions

A range of essential solutions for a variety of crops including Paddy, Tea, Rubber, Spices and Export Crops, Fruits, and Vegetables.



Agri Equipment

Supports the mechanisation of the industry through providing access to world-class agri equipment, protected agriculture systems, micro irrigation systems, and accessories.



Crop Nutrition

Specially formulated fertilizer mixtures blends and specialty fertilizers that cater to different agro-ecological zones.



Animal Health

Range of world-class animal healthcare products in livestock nutrition, veterinary medicine and animal vaccines.



Agri Exports

Exports processed fruits and vegetables to leading global brands and supermarkets as well as F1 hybrid flower seeds, and tissue culture plants.



Revenue

Rs. 34.88 bn
(+6%)



Profit Before Tax

Rs. 3.02 bn
(-40%)



Profit After Tax

Rs. 2.09 bn
(-41%)



Assets

Rs. 25.98 bn
(-1%)



Liabilities

Rs. 15.31 bn
(-4%)



Employees

1,247
(+4%)



Carbon footprint

4,422 tCO₂e
(-4%)

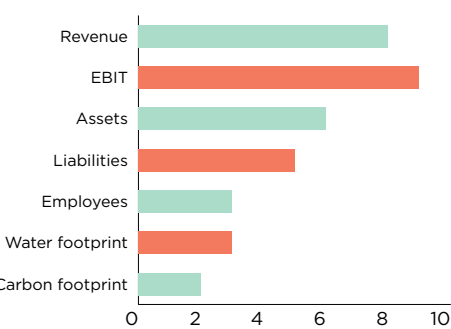
+ denotes y-o-y growth - denotes y-o-y decline

AGRICULTURE

SECTOR OVERVIEW

The Sector is at the forefront of Sri Lanka's Agriculture industry, offering a comprehensive array of agriculture-related solutions to the local and export markets. Hayleys Agriculture's competitive edge is underpinned by its partnerships with globally renowned principals, extensive relationships across Sri Lanka's agricultural value chains, domain-specific knowledge and best-in-class research and development capabilities. The Sector has contributed towards catalysing the development of the country's Agriculture Sector through providing essential input materials, driving mechanisation and introducing climate-smart agriculture solutions supporting the longevity of the industry.

CONTRIBUTION TO GROUP



LOCAL OPERATIONS

Provides a range of agriculture input solutions, including agriculture machinery, crop protection solutions, seeds and planting materials, animal health products, and fertilizer.

Contribution to Sector

Revenue: 70%

PBT: 63%

Performance 2023/24

Revenue: 11% growth

PBT: 45% decline



EXPORTS

Exporter of processed fruits and vegetables, coconut kernel-based products, tissue culture plants and F1 hybrid flower seeds

Contribution to Sector

Revenue: 12%

PBT: 3 %

Performance 2023/24

Revenue: 5% decline

PBT: 86% decline



OVERSEAS OPERATIONS

International operations in Bangladesh

Contribution to Sector

Revenue: 17%

PBT: 34%

Performance 2023/24

Revenue: 11% decline

PBT: 45% growth



OPERATING ENVIRONMENT

Sri Lanka's Agriculture Sector posted modest recovery in 2023, expanding by 3% compared to the contraction of 4% recorded in 2022. This uptick represents the

stabilisation of the country's macro-economic fundamentals and gradual return to normalcy following the fuel shortages and economic disruptions of the previous year. Accordingly, the country's paddy production increased by 20%, compared to the near 34% drop in the paddy crop in 2022. Despite these improvements, consumer spending remained subdued resulting in customers' increasing price consciousness, deferment of purchases and shift towards cheaper alternatives. This was further compounded by the relatively high interest rates in the first half of the year coupled with the increase in tax rates. Meanwhile, having made a strong recovery post pandemic, Bangladesh has been impacted by rising inflation, financial

COMPETITIVE POSITION

Agriculture Extensive Services powered by over 150 skilled agriculturalists who collaborate with stakeholders across the agri-value chain in propagating knowledge and best practice.

Long-standing relationships with 66 globally renowned principals including Kubota, Bayer, BASF, Elanco and Hipra among others.

Market leader in several verticals which include

- Largest Sri Lankan exporter of processed fruits and vegetables
- Largest producer and exporter of tissue culture plants
- Only Sri Lankan exporter of F1 hybrid flower seeds
- Leader in Agri input solutions and equipment



sector vulnerabilities and a balance-of-payment deficit which has led to a sharp decline in foreign exchange reserves. External pressure is expected to persist in Bangladesh for the most part of 2024, while GDP growth is expected to moderate but remain relatively good at 5.6% in 2024.


+3%

Growth in Sri Lanka's
Agriculture Sector


+20%

Increase in
paddy crop


0.1%

Growth in
agriculture exports

Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	M	+ Favourable pricing on imported agricultural inputs - Negative impacts on agricultural exports
	Interest rates	M	- High interest during the first half of the year adverse impacted demand
	Decline in consumer spending	M	- Subdued consumer demand and increasing price consciousness of customers
	Taxation	H	- Adverse implications on consumer buying power - Significant increase in prices following the imposition of VAT from January 2024
Industry context	Mechanisation of agriculture	H	+ Promising long-term demand dynamics for agricultural equipment and machinery
	Inconsistent policy	M	- Limited predictability leading to challenges in planning
	Land degradation	M	- Adverse impacts on quality, quantity and yields of crop thereby negatively affecting farmer income
Sustainability context	Implications of climate change	M	- Impacts of erratic weather patterns on quantity and quality of crop
	Water stress in several areas of the country	M	- Implications on quality, yield and quantity of tea
	Water stress in several areas of the country	M	- Impacts of erratic weather patterns on quantity and quality of crop

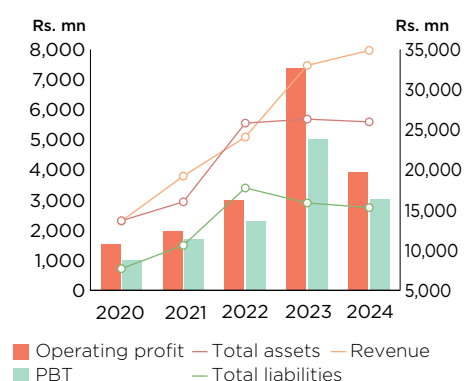
H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector delivered a resilient performance amidst a multitude of challenges that prevailed during the year, underpinned by the diversity of its businesses as well as the strength of its brands and relationships. Performance was upheld by Crop Protection and Overseas Operations, which led to a Revenue growth of 6% to Rs. 34.89 bn during the year. Profitability normalised from the record highs of last year, to record a Profit Before Tax of Rs. 3.02 bn during the year (2022/23: Rs.5.0 bn)

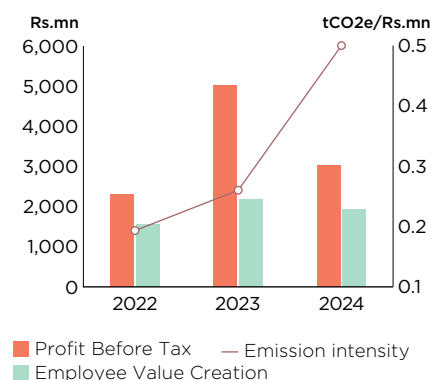
Crop Protection recorded strong growth during the year, emerging as the highest contributor to Sector profitability. Performance was upheld by the launch of a new herbicide which swiftly gained traction to achieve market leadership status. With this addition, the cluster has strengthened its product proposition offering a comprehensive array of crop protection materials. Meanwhile, profits from Agro Fertilizer normalised during the year, reflecting intensifying competitive pressures and the imposition of VAT which led to subdued demand.

SECTOR FINANCIAL PERFORMANCE



AGRICULTURE

INTEGRATED PERFORMANCE



The Agri Equipment cluster also experienced a challenging year due to customers' increased concerns on affordability which led to deferment of purchases. Despite these challenges, the Sector maintained its position as the market leader in the four-wheel tractor segment supported by the strength of its global brands. Meanwhile Animal Health performed commendably during the year; with the pet segment recording subdued demand amidst increasing affordability concerns, the cluster expanded its reach to new market segments such as poultry. In a key achievement the cluster also introduced two new vaccines Gumbahatch and Evalon in partnership with its principal HIPRA; these vaccines gained quick traction in the market supported by its high efficacy and ease of use.

In Exports, the horticulture segment performed well maintaining its position as the largest producer and exporter of tissue culture plants and the only Sri Lanka exporter of F1 hybrid flower seeds. Food exports were affected by adverse weather conditions, which necessitated reseedling of gherkins, while profitability was also impacted by the appreciation of the Sri Lankan Rupee and subdued demand from key markets. Despite these challenges, the cluster continued to inject value to its network of out-growers ensuring their financial viability and continued economic empowerment. The outlook for food exports, however, is promising with the cluster seeing a gradual pick-

up in demand towards the last quarter of the financial year. Meanwhile, strategic focus was placed on upgrading and revamping the coconut milk facility which was purchased in 2022/23, which enabled the Sector to obtain the required certifications and launch a range of coconut-based products including beverages, oils, spreads, and confectionery under the CocoLife by Hayleys brand.

The Sector's Overseas Operations (represented by Haychem Bangladesh) emerged as a key contributor to profits during the year, as it leveraged the strength of its brands and product channels to drive increased penetration. During the year, the Sector sought to capitalise on its existing competitive edge in Bangladesh to strengthen its product offering in new segments- accordingly, the Sector commenced Animal Health services in Bangladesh and intends to commence the manufacture of bio-fertilizer for which a land was acquired during the year.

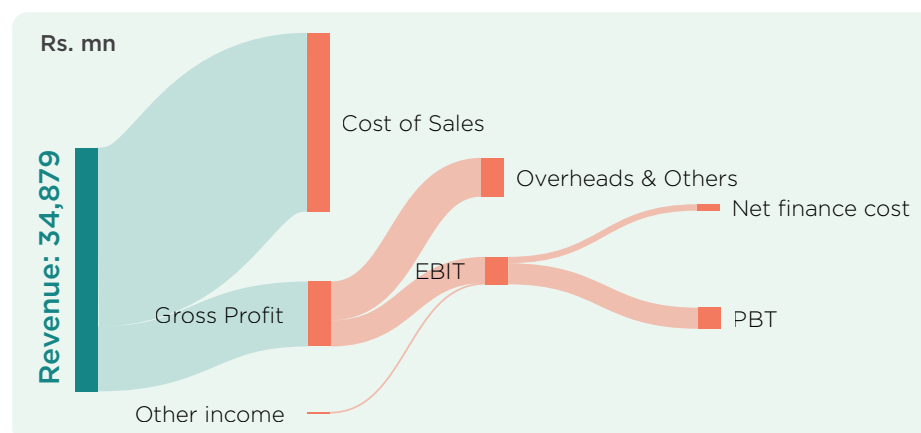
Best-in-class research and development capabilities is the hallmark of Hayleys Agriculture and during the year it continued to strengthen its product portfolio through innovations. The Sector established a facility for pre-mixes of antibiotics and vitamins during the year, with the aim of tapping export markets including Bangladesh in which it already has an established presence. The Sector also marked

a key milestone as it established a polyethylene pipe manufacturing facility during the year, offering advanced irrigation solutions to Sri Lanka's Agriculture industry. Hayleys Agriculture continues to play a pivotal role in driving industry mechanisation and during the year launched a first-of-its kind paddy dryer, which seeks to empower farmers through reducing drying time, money and labour while minimising losses.

ESG IN ACTION

The Sector's ESG agenda is aligned to that of the Hayleys Lifecode with key areas of focus including sustainable water sourcing, increasing energy efficiency and driving economic empowerment through outgrower programmes. During the year, measures were taken to strengthen the Sector's ESG governance and reporting mechanisms. Key interventions include,

- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Access to high-quality, high-efficacy products at competitive rates



EMPLOYEES

Competitive remuneration, increased dignity of labour and opportunities for skill and career progression



OUTGROWERS

Opportunities for mutual business growth, ease of doing business and continued value injection



GOVERNMENT

Generation of tax and foreign exchange revenue, supporting the country's food security and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Resource Allocation

Strategic KPI/ Pre-financials

Innovation

Rs. 0.2 mn

Investments in research and development



35

New products introduced

68

Products in the pipeline

Diversification of business

Rs. 347 mn

CAPEX in new business lines



3

New business lines entered

Rs. 1.2 bn

Revenue from new businesses

Regional expansion

2

New services introduced in Bangladesh

16%

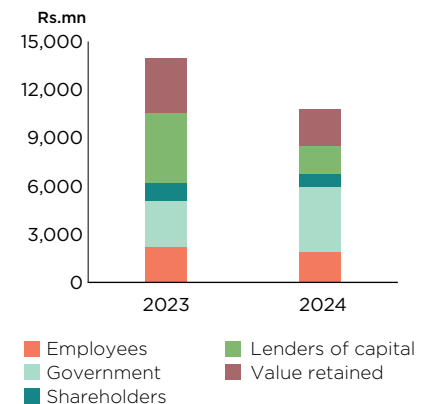
Revenue growth from Bangladesh

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year decreased by +22% reflecting the appreciation of the Sri Lankan Rupee and normalisation of tea prices
- Payments to employees decreased by 12% during the year
- Value generated to Governments amounted to Rs. 4.03 bn and 40% of the total value created
- Payments to lenders of capital decreased by 59%
- Value retained in the business for future investment
- Amounted to Rs 2.30 bn compared to Rs. 3,450 mn the previous year



VALUE DISTRIBUTION



AGRICULTURE

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	34,879	32,998	6	24,089
Earnings Before Interest and Tax	3,937	7,379	(47)	3,011
Net Finance Income/(Cost)	(916)	(2,369)	(63)	(709)
Profit Before Tax	3,020	5,010	(40)	2,302
Profit After Tax	2,089	3,532	(41)	1,715
Assets	25,978	26,323	(1)	25,826
Liabilities	15,313	15,889	(4)	17,754
Operating Cash Flow	2,210	996	122	(2,973)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>20%	25%	Exceptional performance in agro chemical and our Bangladesh operations and effective working capital management	
ROE	>20%	28%		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.9	1.1	(19)	1.3
Water Intensity (Litres/Revenue Rs.mn)	5,293	5,310	0	8,601
Carbon Intensity (tCO2e/Revenue Rs.mn)	0.1	0.1	0	0.1
No. of Employees	1,247	1,205	14	1,157
Revenue per Employee (Rs.mn)	27.9	27	4	21
Remuneration per Employee (Rs.mn)	1.5	2	-	1

ESG HIGHLIGHTS



CLIMATE ACTION

- The Sector continues to drive energy efficiency initiatives, particularly across its manufacturing operations
- Improved emission reporting in line with the requirements of the third-party verification

	2024	2023	%Y-o-y	Target
Energy consumption (GJ)	30,968	36,245	(15)	
Carbon footprint (tCO ₂ e)	4,422	4,604	(4)	Annual 1% reduction

Value creation across outgrower networks

Linking local farmers to global supply chains through outgrower networks in Batticaloa, Jaffna, Kilinochchi, Mullativu, Mannar, Vavuniya, Ampara, Anuradhapura, Polonnaruwa, Puttalam, Badulla, Matale and Rathnapura.

12,187

outgrowers & smallholders

Building capabilities across value chains

Agriculture Training School

Agricultural input and technology related training to,

Farmers, Field assistance and field officers students, entrepreneurs

Agriculture Extension Services

- Island-wide agri ecosystem supported
- Propagation of agricultural skills and knowledge
- Over 150 trained agriculturalists

CLIMATE-SMART AGRICULTURE SOLUTIONS

Climate-smart irrigation and protected agriculture technologies

Organic and bio fertilizers to improve soil health

Farmer training to propagate sustainable agriculture practices

Leadership development

The Sector placed strategic focus on developing the next generation of leaders through ongoing opportunities for training.

	2024	2023	y-o-y
Training hours (hours)	2,552	3,278	-22%

PROSPECTS AND PLANS

Despite short-term volatilities stemming from macro-economic fundamentals and climate impacts, the outlook for the country's Agriculture Sector remains promising given its vital importance in ensuring food security and supporting livelihoods of nearly 30% of the country's population. Consistent and conducive government policy remains a key requisite in driving sustainable growth of the industry and we look forward to engaging and collaborating with industry stakeholders to achieving the true potential of Sri Lanka's Agriculture Sector. The Sector's short, medium and long-term risks and opportunities are summarised below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

➔ Affordability concerns

The increases in income tax as well as imposition of VAT has led to escalating concerns on affordability, which in turn has driven demand for cheaper alternatives. This has also increased the risk of sub-standard and counterfeit products entering the market, inserting further pressure on suppliers of legitimate goods.

Response

Increased diversification of product and service portfolio, overseas expansion

➕ Mechanisation of agriculture

Labour shortages in the industry continues to be a key challenge reflecting the changing aspirations of the youth and increased migration from the Sector. Against this backdrop, mechanisation of agriculture will be essential in ensuring continued growth and supporting the country's food security.

Response

Leverage partnerships with global suppliers to provide innovative solutions for mechanisation.

➔ Exchange rate dynamics

While the appreciation of the Sri Lankan Rupee remains favourable for imports, this trajectory will impact the competitiveness and profitability of our exports

Response

Geographical diversification of operations and strengthening market share across key verticals.

➔ Policy inconsistency

Rational and consistent policy is essential for the long-term sustainability and survival of the country's Agriculture Sector as well as ensuring the commercial sustainability of Agriculture Sector operators.

Response

Proactive engagement with regulators and industry counterparts in creating a conducive environment which ensures the long-term sustainability of the industry.

Sustainability related risks and opportunities (SRRO)

Implications of weather on agriculture

Escalating implications of climate change have led to significant volatility in rainfall and precipitation levels as well as considerable fluctuations in temperature levels affecting agricultural productivity and crop volumes

< 1 year	Volatility in production levels and variations in quality
1-5 years	More pronounced impacts of volatile weather patterns, which will impact cultivation of key crops
>5 years	Survival of the Agriculture Sector will be threatened if climate adaptation measures are not adopted
Response	Pursuing climate-smart agriculture practices

Declining land productivity

The productivity in major growing ecosystems in Sri Lanka (dry and intermediate zones) has been stagnant or declining over the last 10 years

< 1 year	Limited impact in short-term
1-5 years	Further declines in yields and resultant escalation will affect industry profitability, thereby affecting demand for our products.
>5 years	If measures are not adopted to improve land productivity, farmer incomes will suffer, resulting in further migration of labour from the Sector.
Response	Raising farmer awareness on sustainable agriculture practices through our network of extension services.

AGRICULTURE

As a leading player at the forefront of Sri Lanka's Agriculture Sector, we are deeply committed to supporting the long-term growth and survival of the industry by collaborating with our ecosystem of partners in propagating modern and sustainable agriculture practices. We will continue to leverage the collective knowledge of our team, our access to global brands and our extensive networks to support the country's food security aspirations. The short, medium and long-term plans in place are summarised below:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Cost management and process efficiencies. Market entry and new customer acquisition in coconut product range. Expand product proposition under food exports. Strengthen distribution networks in fertilizer cluster. Widen product offering in Bangladesh. Strengthen presence in poultry sector in Animal Health Division. 	<ul style="list-style-type: none"> Strengthen digital marketing activities in agri-equipment cluster. Elevate market share in animal health division through new products. New product development in agri exports cluster. Development of bio-organic crop protection solutions.
Short-term goals ROCE > 20% ROE > 20%	Medium-to-long term goals ROCE > 20% ROE > 20%

SASB DISCLOSURES

Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

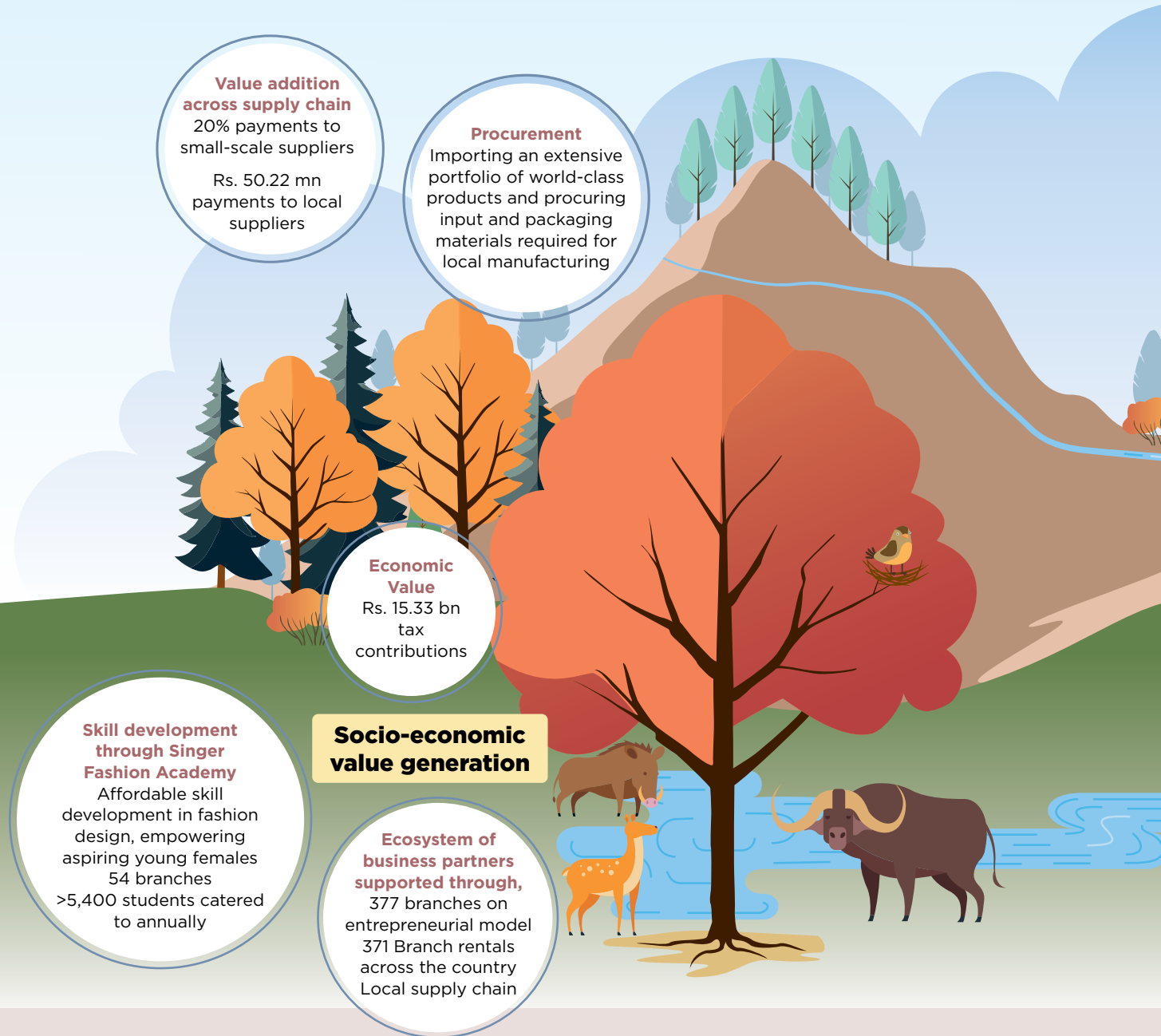
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO ₂ -e	FB-AG-110a.1	1,805
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	1% reduction of energy consumption related absolute GHG emissions of scope 1 & 2 emission annually. 10% reduction thereafter of energy consumption related GHG emissions of scope 1 & 2 emission
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	Litre %	FB-AG-110a.3	1) 154,859 2) N/A
Energy Management	(1) Operational energy consumed (2) Percentage grid electricity (3) Percentage renewable	GJ % %	FB-AG-130a.1	1) 30,968 3) N/A
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-250a.1	1) <4 % non-conformance 2) (2) a and b HJS Condiments Limited is FSSC 22000 version 5.1 certified and all non-conformances at purchasing is monitored and traced. All the measures are taken to educate farmers to achieve 0% non-conformances at the field/ farm level.
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program	%	FB-AG-250a.2	100 % HJS Condiments Limited is FSSC 22000 version 5.1 certified. All products are sourced according to the Food Safety Standards.
	(1) Number of recalls issued (2) Total amount of food product recalled	Number MT	FB-AG-250a.3	1) 0 2) 0 MT
Ingredient sourcing	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Erratic weather patterns, temperature increases, increase in rainfall
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			90% (Fruits and Vegetable) by Sunfrost Pvt Limited and HJS Condiments Limited 100% (Young Plants) by Quality Seed Company Private Limited



CONSUMER & RETAIL

Singer is Sri Lanka's leading retailer of consumer durables products, enriching and elevating lifestyles through providing access to world-class products. Through its island-wide retail network and local manufacturing footprint, Singer adds value across an extensive ecosystem of local suppliers, direct and indirect employees

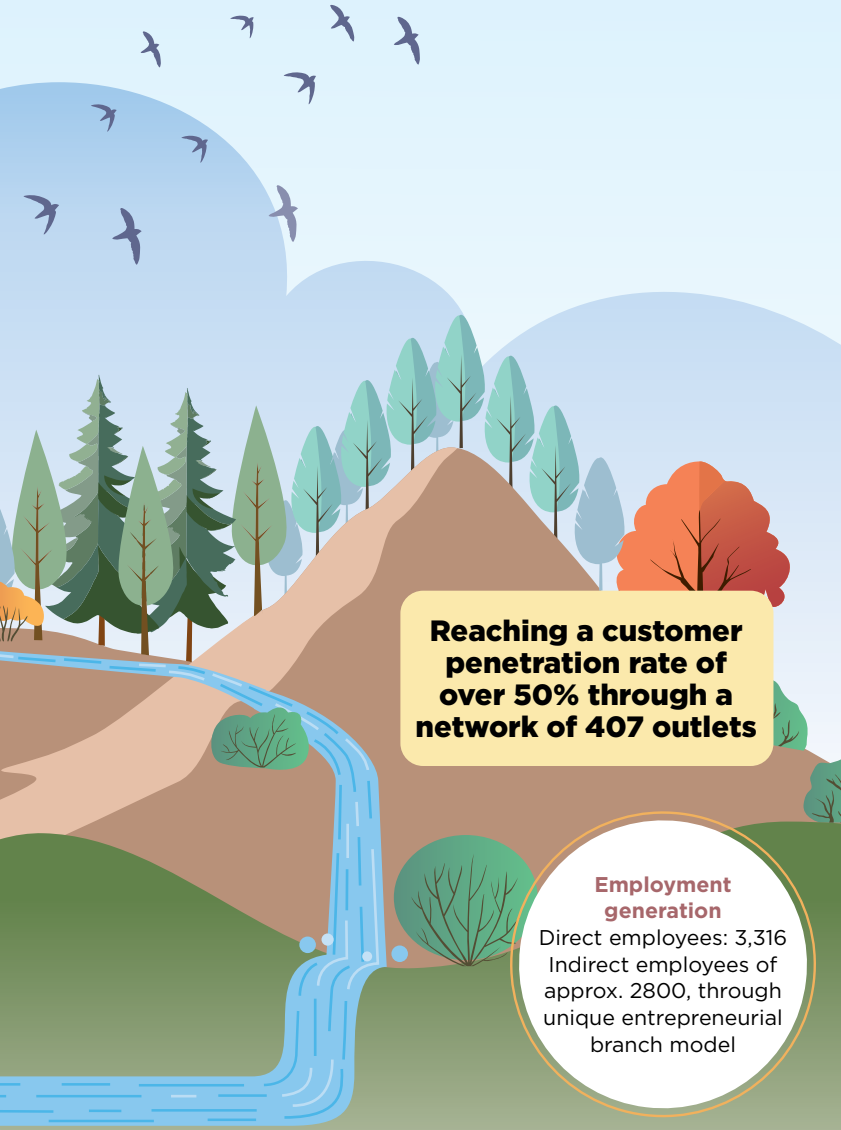
CONSUMER & RETAIL



Rs. 25.59 bn
Economic value added



16%
Contribution to Group's value creation



Reaching a customer penetration rate of over 50% through a network of 407 outlets

Employment generation

Direct employees: 3,316
Indirect employees of approx. 2800, through unique entrepreneurial branch model

Multi-brand, multi-product portfolio offering convenience, comfort and connectivity



Home appliances

Range of refrigerators, air conditioners, washing machines and kitchen appliances among others



Consumer electronics

Televisions, Audio, and other entertainment equipment



Digital products

Computers, mobile phones, head phones and other accessories



Sewing machines

Domestic and industrial sewing machines



Furniture

Solid furniture, modular furniture and Signature kitchens



Financial services

Leasing, hire purchase and loans



Others

Water pumps, tractors, paddy threshers and solar systems and others



Revenue

Rs. 81.60 bn
(+28%)



Profit Before Tax

Rs. 569.5 mn
(-18%)



Profit After Tax

Rs. 175.11 mn
(-64%)



Assets

Rs. 98.58 bn
(+22%)



Liabilities

Rs. 87.46 bn
(+25%)



Employees

3,316
(+4%)



Carbon footprint

9,293 tCO₂e
(-17%)

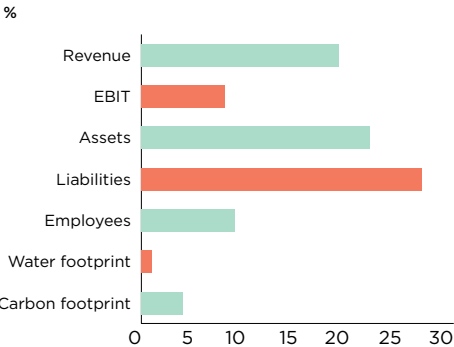
+ denotes y-o-y growth - denotes y-o-y decline

CONSUMER & RETAIL

SECTOR OVERVIEW

Singer (Sri Lanka) PLC is the undisputed leader in the country’s consumer durables industry. With a customer penetration rate of over 50%, Singer’s competitive edge is underpinned by its multi-brand, multi-product portfolio, unmatched island-wide retail network and strength of its brand as a household name in Sri Lanka. In addition to representing an array of local and global brands, Singer also manufactures a range of SINGER and SISIL refrigerators, washing machines, sewing machines, furniture and water pumps among others. The Consumer & Retail Sector also includes the Hayleys Consumer Division, which operates as a distributor for Proctor & Gamble products in Sri Lanka as well as Singer Finance (Lanka) PLC, a mid-sized licensed finance company offering an array of lending, deposit and transactional solutions to individuals and SMEs.

CONTRIBUTION TO GROUP



SINGER MARKETING

Represents 407 outlets across the country and an island-wide dealer distributor network

Contribution to Sector

Revenue: 78%
PBT: -35%

Performance 2023/24

Revenue: 21% growth
PBT: 51% growth



SINGER FACTORIES

Comprises 4 manufacturing facilities engaged in the production of refrigerators, washing machines, sewing machines, water pumps and furniture.

Contribution to Sector

Revenue: 7%
PBT: -10%

Performance 2023/24

Revenue: 18% decline
PBT: 169% decline



SINGER (FINANCE) LANKA PLC

Licensed finance company engaging in leasing and loans.

Contribution to Sector

Revenue: 8%
PBT: 104%

Performance 2023/24

Revenue: 2% growth
PBT: 4% decline



HAYLEYS CONSUMER

Exclusive distributor for Proctor & Gamble products in Sri Lanka and Maldives

Contribution to Sector

Revenue: 6%
PBT: 40%

Performance 2023/24

Revenue: 3% decline
PBT: 50% decline



During the year under review, two unlisted subsidiaries and listed subsidiaries of Singer, Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC were amalgamated with Singer (Sri Lanka) PLC and delisted from the Colombo Stock Exchange.

COMPETITIVE POSITION

Singer operates an extensive island-wide network of **407 outlets** across 25 districts and 16 service centres. Meanwhile, Singer Finance operates a network of 52 branches

One of **Sri Lanka's strongest brands**, having won the People’s Brand of the Year for 18 consecutive years (including 2024) at the SLIM-Kantar People’s Awards

Singer represents over **50 international consumer durable brands** including Samsung, Dell, Huawei, Honor, Philips and Panasonic, offering a portfolio of over **600 electronic items** and **1250 home appliances**

Hayleys Consumer is the **distributor of Proctor & Gamble products** in Sri Lanka including personal care brands such as Head & Shoulders, Gillette, Whisper and Olay as well as Group products such as Mabroc Teas and Hayleys Agriculture Products



OPERATING ENVIRONMENT

The year under review was characterised by two very distinct halves; the first was defined by a multitude of challenges including high inflation and interest rates, continued import restrictions and weak consumer sentiments which led dampened demand. As macro-economic conditions gradually stabilised, the second half of the year showed signs of recovery underpinned by a relatively stable exchange rate, tapering interest and inflation levels and resumption of economic activity. While consumer purchasing power remained constrained by elevated costs and a higher tax regime, aspirations for convenience and sophistication fuelled the gradual release of pent-up demand. Import restrictions on consumer durables was lifted in October 2023, following which demand conditions recorded considerable improvement. The impending imposition of VAT on all consumer durable products with effect from January 2024, boosted demand in the month of December as customers sought to advance purchasing to avoid extra costs. While demand has since normalised, the outlook for the industry is promising as gradual improvement of macro-economic fundamentals is expected to support demand growth over the short-to-medium term. On the other hand, the rapid growth of the grey market continues to pose a significant threat to legal importers; the increased price disparity between legal and illegal imports following the imposition of VAT on the former has fuelled the rapid growth of the informal sector, not only threatening the survival of legal importers but depriving the Government of tax revenue.



+9%

Decline in expenditure on furniture, household equipment and maintenance



+11%

Increase in per capita GDP



+8%

Appreciation of the Sri Lankan Rupee

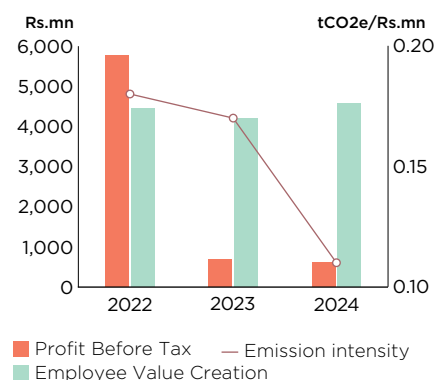
Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Lower disposable income	H	- Curtailment of discretionary expenses amidst reduced purchasing power
	Increase in VAT rate from 15% to 18% and removal of exemptions on selected products	M	- Upward price revision - Fuelled the growth of the grey market
	Easing interest rates	H	- Conducive for hire purchase schemes which will drive consumption
	Appreciation of the Sri Lankan Rupee	M	+ Leads to lower import costs and increased attractiveness of pricing to local customers
Industry context	Growth of the tourism sector	M	+ Increased investments directed towards new tourism establishments will drive demand for consumer durables + Increased liquidity along the tourism value chains is conducive for volume growth
	Rapid growth in grey market for selected products	H	- Inequitable playing field for legal importers who are compelled to sell products at a higher price due to the applicability of duties and taxes
	Increasing customer sophistication	H	+ Shifting lifestyles are fuelling demand for increased convenience, quality and durability
Sustainability context	Increased focus on energy efficient solutions	H	+ Following the sharp escalation in energy costs, consumers are increasingly pursuing energy-efficient solutions + The shift to a low carbon economy has presented many opportunities in energy efficient products and renewable energy solutions
	Growth in sustainable finance solutions	H	+ Opportunity for Singer Finance to grow its sustainable/green lending portfolio

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

CONSUMER & RETAIL

INTEGRATED PERFORMANCE



STRATEGY AND INTEGRATED PERFORMANCE REVIEW

Singer's ability to preempt challenges and flex its strategy in addressing these evolving dynamics enabled the Sector to mitigate the adverse impacts of an extremely challenging year. Singer shifted focus from a classical to a renewal operating model where strategy was regularly refreshed and refined to ensure viability in a relatively harsh operating landscape. Proactive efforts to clear high-cost inventory together with the gradual pick-up in demand towards the latter part of the year enabled the Sector to generate a Revenue growth of 28% to Rs. 81.60 bn. However, margins narrowed reflecting promotions and market activations that were offered to optimise inventories resulting in the Sector's Operating Profit margin declining from 11.7% to 4.3%. Against this backdrop, the Sector aggressively pursued cost efficiencies and optimised finance costs. Meanwhile, performance of the Hayleys Consumer division was also affected by the weak consumer sentiments and buying power, resulting in a decline in profitability. Overall the Sector generated a Profit Before Tax and Profit After Tax of Rs. 611.29 mn and Rs. 175.11 mn respectively during the year.

Despite the challenges that prevailed, Singer continued to evolve its product and brand portfolio to cater to emerging customer needs. Singer was appointed the sole distributor of Honor- one of the world's fastest

growing smart phone brands. Positioned as a brand that offers premium features at competitive pricing, Singer launched 10 models of Honor in Sri Lanka catering to the diverse needs of customers across varying price points. Singer also launched the 'Singer premium furniture' brand, aligned with its long-term aspirations of penetrating a more premium customer segment through an elevated product offering. Singer maintained its market leadership position across key product categories including refrigerators, washing machines, televisions and sewing while gaining market share in digital devices. At the SLIM-KANTAR People's Awards 2024, Singer was recognised as the People's Brand of the Year for the 18th consecutive year, attesting to its status as a household brand in the country.

Branch consolidation continued during the year with a view to ensuring long-term sustainability of all locations resulting in the total branch count being optimised to 407 outlets. Meanwhile, demand for after sales services increased significantly during the year reflecting customers' preference to repair and reuse current products given the weaker buying power. Resultantly, Singer enhanced its service capabilities, establishing a premium Contact Centre in Colombo and leveraging its network of 16 regional service centers and over 300 service franchise agents. Singer also continued to offer an enhanced value proposition to its loyalty customer base of over 2.2 million through Singer

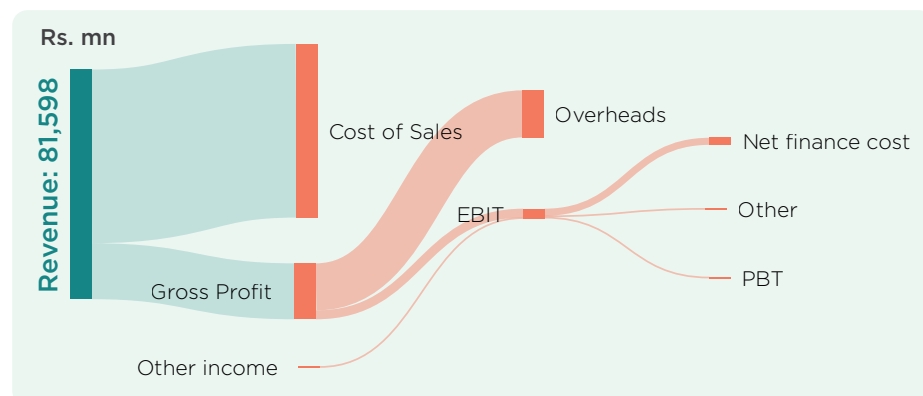
RED- offering exclusive benefits and customised offerings.

Singer Finance (Lanka) PLC delivered a creditable performance in a challenging year. Although profits declined due to the increase in expenditure reflecting expansion of the operations, the Company's Profit Before Tax of Rs. 652.40 mn upheld the Singer Group's profit during the year. During the year, 2 branches were added bringing the total network to 52. The Company also maintained healthy portfolio quality, liquidity and capitalisation levels in comparison to industry peers.

ESG IN ACTION

Singer's ESG aspirations center on greening the customer journey through providing access to energy efficient product solutions while reducing its own energy consumption and supporting circularity through an island-wide e-waste management programme. Strategic efforts that made to integrate ESG into the Sector's strategy and operations in line with the Hayleys Roadmap included the following:

- Establishment of Sector ESG Steering and Working Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Third-party verification of GHG emissions (2022/23)
- Winner of the sector award in the Retail Sector at Best Corporate Citizen Sustainability Awards 2023-Singer (Sri Lanka) PLC.



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Access to world-class, high quality consumer durable products and good after-sales service



EMPLOYEES

Competitive remuneration, opportunities for skill and career progression



BUSINESS PARTNERS

Opportunities for mutual growth and financial assistance



GOVERNMENT

Generation of tax revenue and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Proactive inventory management

Formulation of an organisation-wide inventory management process

Significant Reduction in high-cost inventory

Cost management and efficiencies

Amalgamation of local manufacturing arms with Singer (Sri Lanka) PLC

Proactive negotiations on branch rentals

Rs. 107 mn
Cost savings generated

Customer centricity

133 Sessions
of Customer-service related training

Establishment of a premium Contact Center in Colombo

88%
Customer satisfaction rate

95%
After sales customer satisfaction rate

Resource Allocation

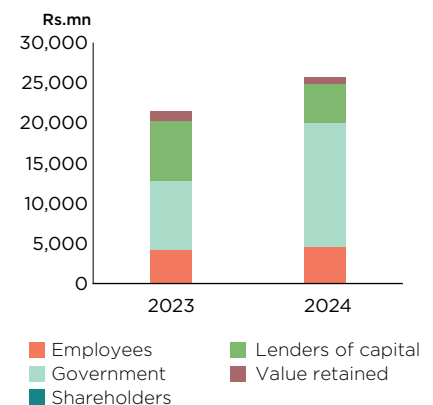
Strategic KPI/ Pre-financials

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year increased by 19% in spite of the challenging external dynamics
- Payments to employees increased by 9% during the year
- Value generated to Governments amounted to Rs. 15.36 bn an increase of 79% compared to the previous year
- Payments to lenders of capital decreased by 35%
- Value retained in the business for future investment amounted to 3% compared to 6% the previous year



VALUE DISTRIBUTION



CONSUMER & RETAIL

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	81,598	63,893	28	83,543
Earnings Before Interest and Tax	3,487	8,502	(59)	8,502
Net finance income/(cost)	(2,520)	(6,414)	(61)	(2,350)
Profit Before Tax	570	691	(18)	5,771
Profit After Tax	175	493	(65)	4,300
Assets	98,577	80,836	22	91,028
Liabilities	87,460	69,720	25	78,917
Operating Cash Flow	(6,476)	874	(841)	(7,454)
Performance against targets				
	Target	Actual	Reason for variance	
GP of products	10%	1.5%	Decline in consumer spending and import restrictions	
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Singer Branches	407	416	(2)	431
Revenue per Branch (Rs.mn)	118	85	39	105
Net Promoter Score (%)	86	86	-	79
Energy Intensity (GJ/Revenue Rs.mn)	0.7	1.2	(38)	0.8
Water Intensity (Litres/Revenue Rs.mn)	1,268	1,893	(33)	1,205
Carbon Intensity (tCO2e/Revenue Rs.mn)	0.1	0.17	(35)	0.2
No. of Employees	3,316	3,190	4	3,154
Revenue per Employee (Rs.mn)	24.6	20	23	25
Remuneration per Employee (Rs.mn)	1.4	1	37	2

ESG HIGHLIGHTS



CLIMATE ACTION AND ENERGY EFFICIENCY

As Sri Lanka's largest consumer durables supplier, Singer has a vital role to play in supporting the country's emission reduction goals through providing access to energy-efficient products.

- 9 locally manufactured refrigerators certified as Minimum Energy Performance (MEP) models by Sri Lanka Sustainable Energy Authority
- 6 models of smart inverter refrigerators
- Green inverter air conditioners and Samsung wind-free air conditioner

	2024	2023	Y-o-y
Energy Consumption (GJ)	58,507	70,667	21
Carbon Footprint (tCO2e)	9,293	11,155	(17)

Circularity through e-waste management programme

Singer engages in an island-wide e-waste collection initiative across its branch network through which customers are encouraged to return used electronic items. (Page 285)

1,898 Televisions	130 Refrigerators	46 Washing machines	25 Others
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Skill development through Singer Fashion Academy

54 academies across the island
3,864 new students enrolled

Employee value creation

During the year focus was placed on building leadership skills and ensuring succession planning

	2024	2023
No. of employees	3102	2,986
Training investment (Rs.mn)	29	21
Payments to employees (Rs.bn)	4.6	4.2

Launch of Internship programme:

Singer Youth Catalyst

PROSPECTS AND PLANS

The industry outlook for the short-to-medium term remains promising, given gradually recovering macro-economic fundamentals, conducive interest and exchange rates, tapering inflation and an overall improvement in customer sentiments. A recovering tourism sector and gradual release of pent-up demand is also expected to provide further impetus for growth, affording retailers significant opportunities in driving increased penetration. The long-term growth potential of Sri Lanka's consumer durables sector is positive, driven by the relatively low penetration levels in certain product categories, growing aspirations for a better quality, customer sophistication, faster replacement cycles, and urbanisation. Trends which are expected to shape the Sector's risk profile over the short, medium and long-term are presented below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+ Stabilising macro-economic conditions

The gradual recovery of macro-economic fundamentals, easing interest rates and inflation is expected to drive demand for consumer durables in the short-to-medium term as evidenced by the recovery of volumes in the past few months

Response

Leverage on the extensive product portfolio, brand and branch reach to drive increased penetration and gain market share across key product categories

+ Demographic changes and increasing customer sophistication

Notwithstanding the implications on poverty of the recent economic crisis, over the long-term Sri Lanka's middle class is expected to expand, driving demand for more sophisticated products and convenient lifestyles

Response

Expand product offering to cater to the specific needs of different customer segments, including the premium segment

• Expansion of the grey market

Presents a significant threat for legal importers in the short-term, given the significant price disparity between legal, taxed products and products imported illegally evading tax

Response

Build customer awareness and lobbying to the government

+ Omni channel preference

Customers from younger demographics are showing increased preference towards e-commerce channels

Response

In addition to driving penetration via the Singer website, the Sector also hopes to partner with established third-party e-commerce platforms to increase its online presence

Sustainability related risks and opportunities (SRRO)

Increasing customer awareness on sustainability

The eco-awakening of customers, particularly among younger demographics is driving demand for sustainable products

< 1 year	Increased focus on energy efficient products
1-5 years	Heightened awareness among customers on sustainability considerations including energy efficiency, resource use and end-of-use disposal
>5 years	Standardised use of sustainably designed and manufactured products
Response	Providing access to the world's leading sustainable products through our partnerships with global brands

Impacts of climate change on farmer income

As a company with a strong rural presence, agriculture-based communities are an important customer segment for Singer

< 1 year	Sales are typically correlated with farmer's harvest and income which is directly linked to weather patterns
1-5 years	Increasingly erratic weather patterns are likely to lead to significant variations in farmer income, thereby impacting demand
>5 years	If climate adaptation and mitigation measures are not adopted, farmer incomes will dwindle
Response	Diversification of markets and customer segments

Sri Lanka's renewable energy aspirations

According to Sri Lanka's Net Zero plan, the country is gearing to scale up renewable energy to be 70% of total energy consumption by 2030.

< 1 year	Gradual increase in fossil-fuel based energy prices and resultant shift to solar power
1-5 years >5 years	Price adjustments to fossil fuel-based sources will drive increased preference of energy efficient solutions.
Response	Design and manufacture of energy efficient products through our local manufacturing arms



CONSUMER & RETAIL

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Widen product portfolio with solutions catering to diverse segments Drive increased sales orientation among teams Focus on enhancing service excellence and after-sales care Optimise existing branch network 	<ul style="list-style-type: none"> Strengthen competitive position in the premium segment through value-added product offerings Strategic acquisition of new brands Regional expansion Expand portfolio of sustainable products Enhance e-commerce platform
Short-term goals ROE>10%	Medium-to-long term goals ROE>20%

SASB DISCLOSURES

Multiline and Specialty Retailers & Distributors

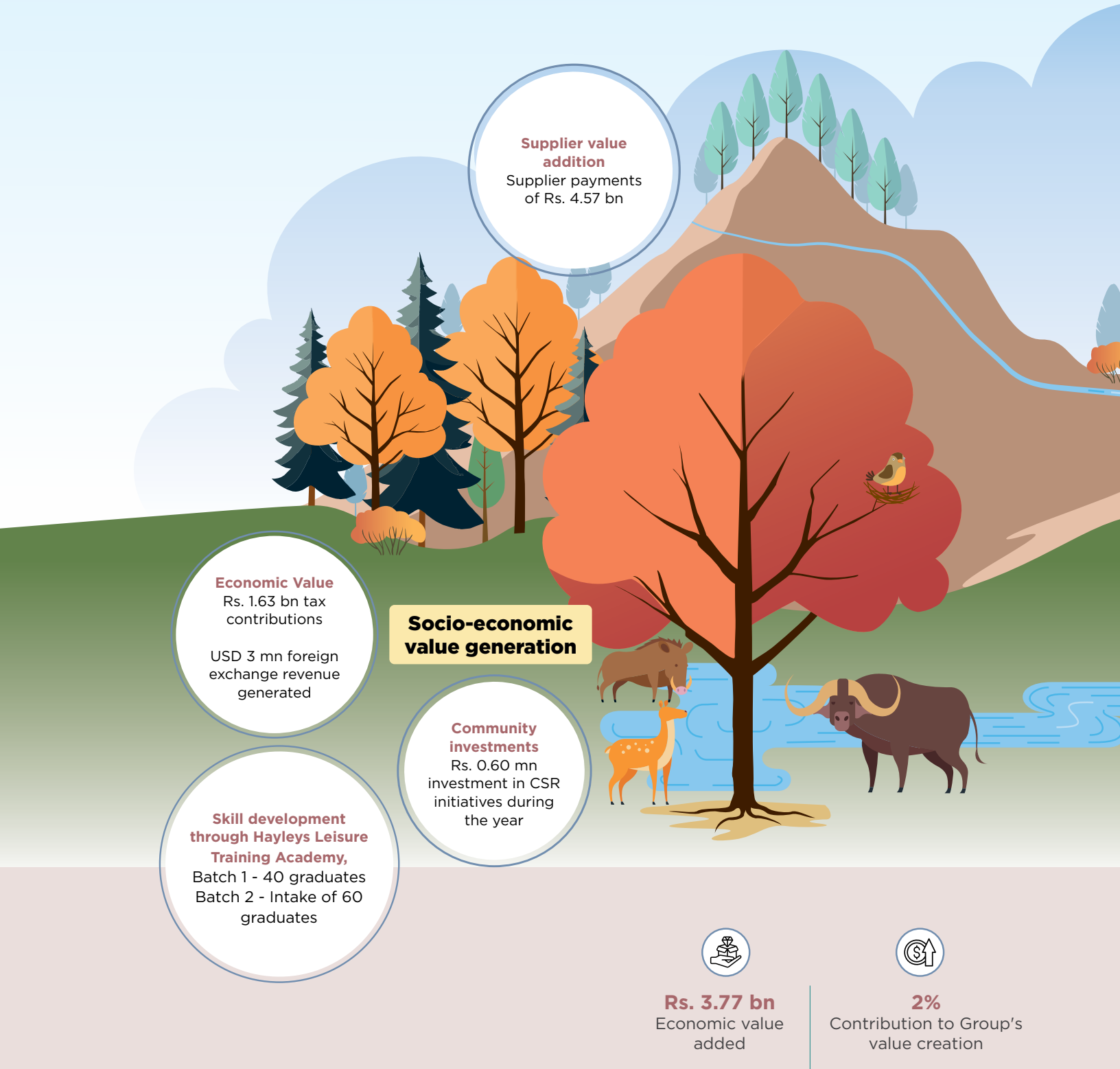
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Energy Management in Retail & Distribution	(1) Total energy consumed	GJ	CG-MR-130a.1	38,100
	(2) % grid electricity	%		100%
	(3) % renewable	%		-
Data Security	Description and approach to identifying and addressing data security risks	n/a	CG-MR-230a.1	Robust policies and standards are in place to identify and mitigate cyber security risks. A monthly meeting is held to discuss share knowledge between departments on cybersecurity risks
	(1) Number of data breaches	No.	CG-MR-230a.2	None
Labour practices	(1) Average hourly wage	No.	CG-MR-310a.1	229 (Non-ex)
	(2) % of in-store employees earning minimum wage by region	%	CG-MR-310a.2	
	(1) Voluntary turnover rate for in-store employees	%		23%
	(2) Involuntary turnover rate for in-store employees	%		N/A
Workforce diversity & inclusion	Total amount of monetary losses as a result of with labour law violations	Rs.mn	CG-MR-310a.3	Nil
	Percentage of gender and racial/ethnic group representation for	%	CG-MR-330a.1	Male 86%: Female 14%
	(1) management	%		Male 79%: Female 21%
Product sourcing, packaging and marketing	(2) all other employees			
	Total amount of monetary losses as a result of legal proceedings associated with employment discriminations	Rs.mn	CG-MR-330a.2	Nil
	Revenue from products that are third-party certified to environmental and/or social sustainability standards	mn	CG-MR-410a.1	2,847 (MEP labelled refrigerators)
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products		CG-MR-410a.2	All locally manufactured refrigerators are equipped with the R600a refrigerant, an eco friendly alternative to harmful refrigerants
Product sourcing, packaging and marketing	Discussion of strategies to reduce the environmental impact of packaging		CG-MR-410a.	In refrigerator packaging, the Group has replaced Styrofoam with paper pulp for top and side panels

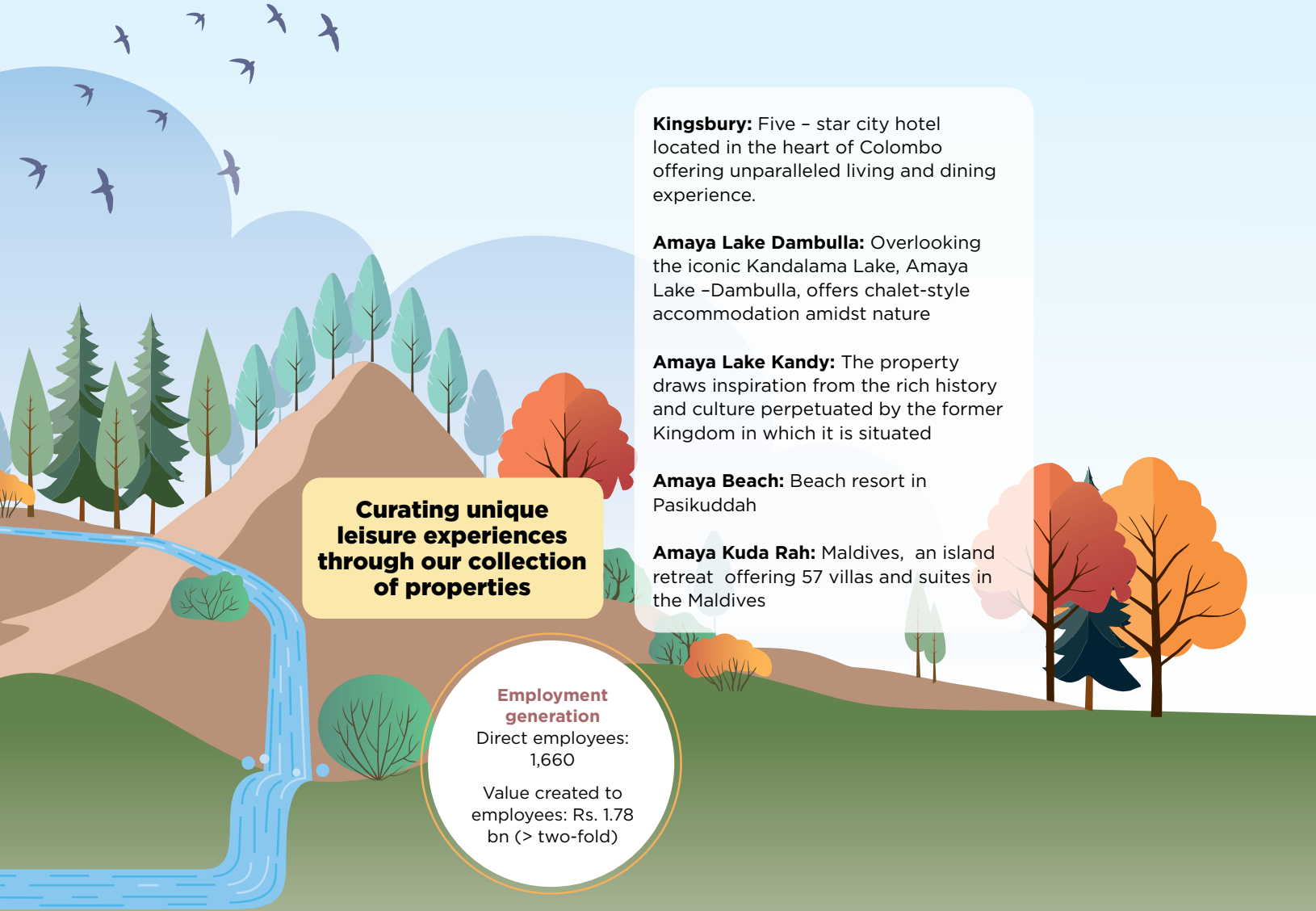


LEISURE

As a leading player in the country's hospitality industry, the Leisure Sector drives significant socio-economic value through direct employment generation, local procurement and foreign exchange generation. The Sector also contributes towards skill development in the industry, enhancing the employability of aspiring youth from communities in which we operate.

LEISURE





**Curating unique
leisure experiences
through our collection
of properties**

**Employment
generation**
Direct employees:
1,660
Value created to
employees: Rs. 1.78
bn (> two-fold)

Kingsbury: Five – star city hotel located in the heart of Colombo offering unparalleled living and dining experience.

Amaya Lake Dambulla: Overlooking the iconic Kandalama Lake, Amaya Lake –Dambulla, offers chalet-style accommodation amidst nature

Amaya Lake Kandy: The property draws inspiration from the rich history and culture perpetuated by the former Kingdom in which it is situated

Amaya Beach: Beach resort in Pasikuddah

Amaya Kuda Rah: Maldives, an island retreat offering 57 villas and suites in the Maldives

Revenue Rs. 9.02 bn (+35%)	Profit Before Tax Rs. 1.90 bn (-22%)	Loss After Tax Rs. 1.88 bn (-21%)	Assets Rs. 19.59 bn (+0%)	Liabilities Rs. 19.66 bn (+7%)	Employees 1,660 (+8%)	Carbon footprint 12,744 tCO ₂ e (+19%)

+ denotes y-o-y growth - denotes y-o-y decline

LEISURE

SECTOR OVERVIEW

The Group's Leisure Sector is a leading player in the country's hospitality sector, with a network of hotels, resorts, wellness retreats and collection of managed boutique properties in Sri Lanka and Maldives. The sector's property portfolio comprises 5-owned and operated properties including the five-star city hotel, The Kingsbury, and 6 managed properties in Sri Lanka through the Amaya Resorts chain.

OPERATING ENVIRONMENT

Following consecutive years of extraordinary challenges, Sri Lanka's tourism sector posted strong recovery in 2023. Tourist arrivals into the country increased by 106% to reach 1.47 mn during the year driven by stabilising macro-economic fundamentals and the release of pent-up demand from key markets. Sri Lanka witnessed a growth in demand from countries such as India, Russia, Germany and the United Kingdom. Despite the improvement, arrivals and rates remained lower than pre-pandemic levels, which coupled with the sharp escalations in labour migration continued to impinge on sector profitability. Meanwhile, competition is expected to intensify among city hotels with the 5-star room inventory projected to increase by over 60% given the strong pipeline of projects. Against this backdrop, the shortage of skilled labour in the industry remains an acute challenge with intense competition for skilled labour among new and existing operators resulting in high turnover levels and escalating staff costs.

COMPETITIVE POSITION

Our offering centers on creating experienced aligned to our **purpose of curating happiness**

The Sector's **multi-channel strategy includes destination management** companies (DMC), online travel agents, direct bookings and online reservations among others

Best-in-class F&B offerings through highly-rated restaurants at the Kingsbury

Amongst the most popular and top-rated banquet operators in Colombo

Highly rated portfolio of properties

Trip Advisor ratings

Amaya Hills:	4.0/5
Amaya Lake:	4.5/5
Amaya Beach:	4.5/5
The Kingsbury:	4.5/5
Amaya Kuda Rah:	4.5/5

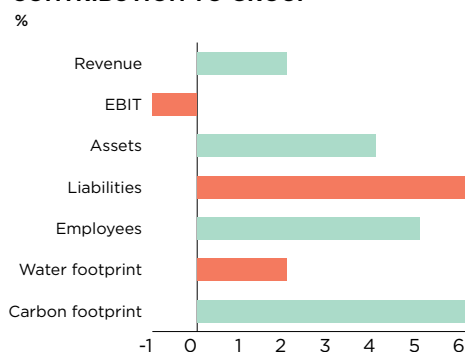


Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	M	- Increased cost for foreign tourists resulting in decreased international competitiveness + Higher rupee revenue on foreign currency earnings
	Increased taxation	M	- Adverse implications on buying power of domestic consumers - Significant increase in prices following the imposition of VAT from January 2024
Industry context	Impacts on consumer spending	H	- Reduced disposable income of domestic guests following prolonged implications of economic crisis
	Intensifying competition in city hotels	H	- Acute challenges in labour attraction and retention - Sharp increase in labour costs
	Implementation of minimum room rate for star-class establishments	M	+ Limits ability of operators to drive down prices to attract guests + Drive positive yields for rooms
Sustainability context	Preference for authentic experiences Growing informal sector	M	+ Opportunity to sharpen competitive edge through unique offerings
	Implications of climate change	M	- Impacts of natural disasters on physical infrastructure and attractiveness of locations
	Increasingly eco-conscious customers	M	- Necessitates rewiring of business models to cater to increasing environmental and social consciousness of the younger demographic

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

CONTRIBUTION TO GROUP



STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector's reflected the recovery of the country's tourism industry, with an average increase in occupancy levels enabling the Sector to achieve a 35% growth in Revenue to Rs. 9.02 bn. Meanwhile, Operating Losses and Loss Before Tax also declined by 53% and 22% respectively, driven by the improvement in the core performance of The Kingsbury and the Sri Lankan Amaya Properties. The Kingsbury delivered its first year of profitability since 2019 upheld by increasing footfall as it leveraged its strong F&B proposition and positioning as the preferred venue for restaurants. The Sri Lankan Amaya Properties also delivered a commendable

improvement in performance while Losses reducing during the year. The Sector's overall profitability during the year was hampered by the weak performance of Amaya Kuda Rah which was partially closed for repairs during the year.

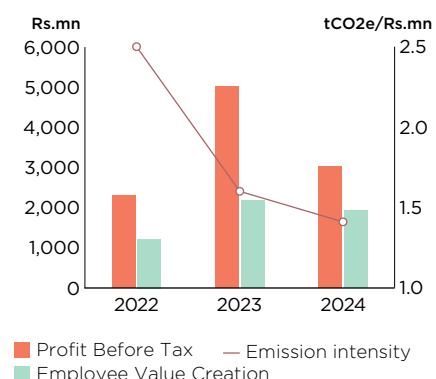
In recent years, the Sector has placed strategic emphasis on sharpening its competitive edge through mastering product delivery which has enabled our properties to consistently achieve relatively high customer ratings. During the year, the Sector also opened its 1st outdoor, high street café, 'The Nosh' adjacent to a premium commercial zone, the initial response for which has been extremely encouraging.

The acute shortage of skilled labour remains a critical challenge for the Sector, given the exodus of staff from the industry in recent years and intensifying competition for labour following the entry of new international operators, particularly in Colombo. In addressing this challenge, the Sector has focused on multi-skilling its employees thereby contributing towards a leaner operating model. The Sector also continues to benefit from the strength of the Hayleys employer brand and the unique value proposition offered.

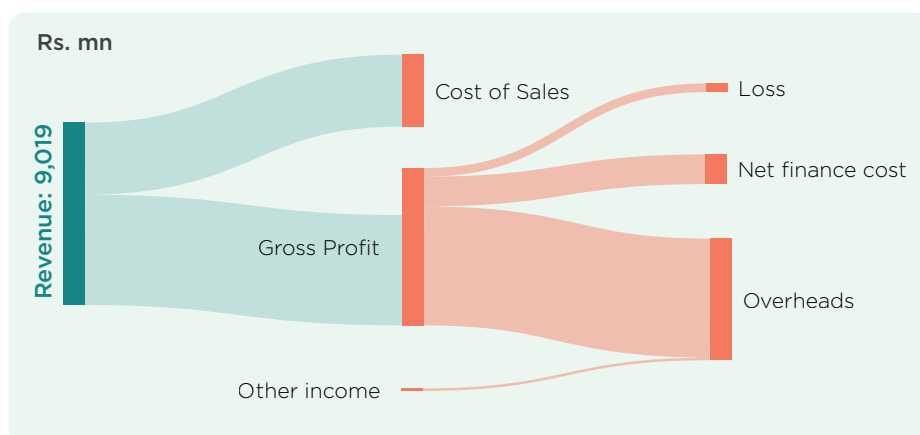
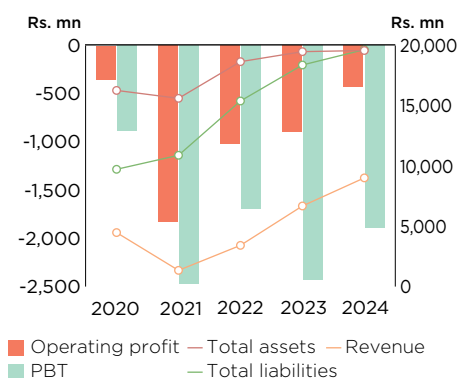
ESG IN ACTION

The Sector's sustainability aspirations are guided by the Hayleys Lifecode and during the year measures were taken to strengthen the Sector's ESG monitoring and reporting mechanisms. The Sector also improved its GHG emissions computation, as part of the Group's initiative to obtain third party verification on its GHG inventory. The Sector will seek to formulate its ESG targets in line with the parent's aspirations over the short-to-medium term.

INTEGRATED PERFORMANCE



SECTOR FINANCIAL PERFORMANCE



LEISURE

HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Unique customer experiences including F&B offerings, amenities and excellent customer service



EMPLOYEES

Competitive remuneration, increased dignity of labour and opportunities for skill and career progression



BUSINESS PARTNERS

Opportunities for mutual business growth and ease of doing business



GOVERNMENT

Generation of tax and foreign exchange revenue and supporting job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Strengthen product and service capabilities

Revenue diversification

Talent management

Resource Allocation

Rs. 1.23 bn
CAPEX



A Range of diverse Restaurants



Rs. 1.20 mn
Investment in training

Strategic KPI/Pre-financials

4 to 4.5
Average customer satisfaction rating

Growth
in Increase in F&B Revenue

64%
Employee retention

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year improved by 145% reflecting the recovery of the tourism sector
- Value generated to Governments amounted to Rs. 1.63 bn and 43% of the total value created
- Payments to lenders of capital increased by 45%
- Value retained in the business for future investment amounted to -33% compared to -71% the previous year



VALUE DISTRIBUTION



FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	9,019	6,687	35	3,420
Earnings Before Interest and Tax	(427)	(901)	53	(1,019)
Net Finance Income/(Cost)	(1,468)	(1,527)	(4)	(680)
Profit Before Tax	(1,895)	(2,428)	22	(1,699)
Profit After Tax	(1,878)	(2,385)	21	(1,675)
Assets	19,587	19,494	0	18,662
Liabilities	19,660	18,386	7	15,399
Operating Cash Flow	733	183	301	(1,222)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>8%	(7%)	Weak performance of the Maldives property	
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	13	14	(8)	19
Water Intensity (Litres/Revenue Rs.mn)	19,376	31,190	(38)	59,001
Carbon Intensity (tCO2e/Revenue Rs.mn)	1.4	1.6	(11)	25
No. of Employees	1,660	1,537	8	1,440
Revenue per Employee (Rs.mn)	5.4	4	25	1
Remuneration per Employee (Rs.mn)	1.1	0.4	107	1

ESG HIGHLIGHTS



Climate Action

During the year, the Sector sought to improve and widen the scope of its carbon footprint computation refining its calculation methodology in line with the Group-wide verification of GHG emissions.

	2024	2023	% Y-o-y	Target
Energy consumption (GJ)	117,900	94,930	+24	25% carbon reduction in 2030
Carbon footprint (tCO2e)	12,744	10,674	+19	

The properties engaged in the following environmental initiatives during the year: commemorating Earth Day 2024.

- Coral restoration in Maldives
- Bio-degradable packaging for bath amenities
- Sea erosion prevention in Amaya Beach



SKILL DEVELOPMENT THROUGH HAYLEYS LEISURE TRAINING ACADEMY

The Training Academy offers an opportunity for aspiring youth from disadvantaged communities to obtain access to hospitality skill development, supporting employability and driving socio-economic empowerment. Graduates have the opportunity for employment within Hayleys' extensive network of hotels and resorts, contributing to the growth of Sri Lanka's tourism industry.



LEISURE

PROSPECTS AND PLANS

Sri Lanka is positioned for a surge in tourist arrivals in 2024, with the Sri Lanka Tourism Development Authority (SLTDA) targeting an ambitious 2.3 million arrivals during the year. This is expected to be driven by aggressive marketing efforts to promote Sri Lanka as a destination as well as further relaxation of VISA requirements for selected markets. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

Escalating competition

With the city star-class room inventory expected to increase by over 60% over the next few years, competition for business as well as skilled labour is expected to intensify- particularly given the acute labour shortage in the market.

Response

Expansion of employee recruitment under the Hayleys Leisure Training Academy and strengthened employee value proposition

Exchange rate volatility

The direction of the exchange rate movement remains difficult to predict at this juncture, although some depreciation is expected during the latter part of the calendar year. Increased volatility of the exchange rate leads to challenges in setting pricing as well as volatility in profitability margins

Response

Proactive monitoring of USD exchange rate and close coordination with Group Treasury function

Domestic and international geopolitical dynamics

The upcoming elections in Sri Lanka although unlikely to have significant impact on arrivals, could lead to political uncertainty resulting in tourists deferring travel plans

Response

Ongoing engagement with channel partners in ensuring travel confirmations for the upcoming Winter season Leverage on diversified offerings across the island

Changing customer expectations

Changing demographics, advances in technology and social media influences are driving changes in traveller expectations which include an increased preference for solo travel, authentic and personalisation of experiences and recognition technology among others

Response

Creating new customer experiences across all aspects of operations

Sustainability related risks and opportunities (SRRO)

Physical risks and natural disasters

The escalating implications of climate change are leading changes in travel patterns and attractiveness of destinations. These dynamics include significant biodiversity loss, disruptions along travel routes and changes in travel seasons among others

< 1 year	Implications of extreme heat and natural disasters
1-5 years	More pronounced impacts of volatile weather patterns and biodiversity loss which could impact attractiveness of locations and Sri Lanka as a tourism destination
>5 years	
Response	Long-term transformation of offering based on sustainable tourism concepts

Rise of the eco-conscious customers

Travellers are increasingly demanding responsible environmental and social practices from tourism sector operators, necessitating shifts in operating models and processes to ensure long-term attractiveness of offering

< 1 year	Environmental consciousness among factors considered when selecting destination and operator
1-5 years	Responsible business is expected to feature increasingly prominently in travellers' decision-making, particularly among the younger demographics
>5 years	Tourism sector operators who do not embrace responsible business will see significantly reputational impacts and an erosion of competitive edge
Response	Gradual transformation of business and processes to embrace environmentally conscious practices

SASB DISCLOSURES

Table: Hotels and Lodging Industry

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Energy Management	1) Total energy consumed, 2) Percentage grid electricity 3) Percentage renewable	Gigajoules (GJ), Percentage (%)	SV-HL-130a.1	117,900 38%
Water Management	1) Total water withdrawn 2) Total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m3), Percentage (%)	SV-HL-140a.1	174.74 mn Sri Lanka has been ranked as a highly water stressed nation
Ecological Impacts	Number of lodging facilities located in or near areas of protected conversation status or endangered species habitat	Number	SV-HL-160a.1	Two of the Sector's properties in Sri Lanka are located in areas close to rich biodiversity
	Description of environmental management policies and practices to preserve ecosystem services.	N/A	SV-HL-160a.2	The Sector aligns with the environmental policies and procedures of the Hayleys Lifecode (refer to page 102)
Labour Practices	1) Voluntary 2) Involuntary turnover rate for lodging facility employees	Percentage (%)	SV-HL-310a.1	36%
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations (1)	Presentation currency	SV-HL-310a.2	Nil
	Description of policies and programmes to prevent work harassment	N/A	SV-HL-310a.4	The Group's Anti-Sexual Harassment Policy and Whistleblower Policies provide an effective tool for employees to put forward their grievances

LEISURE

As the Sector positions itself to capture opportunities emerging from the country’s revival in tourism the short, medium and long-term plans in place are summarised below:

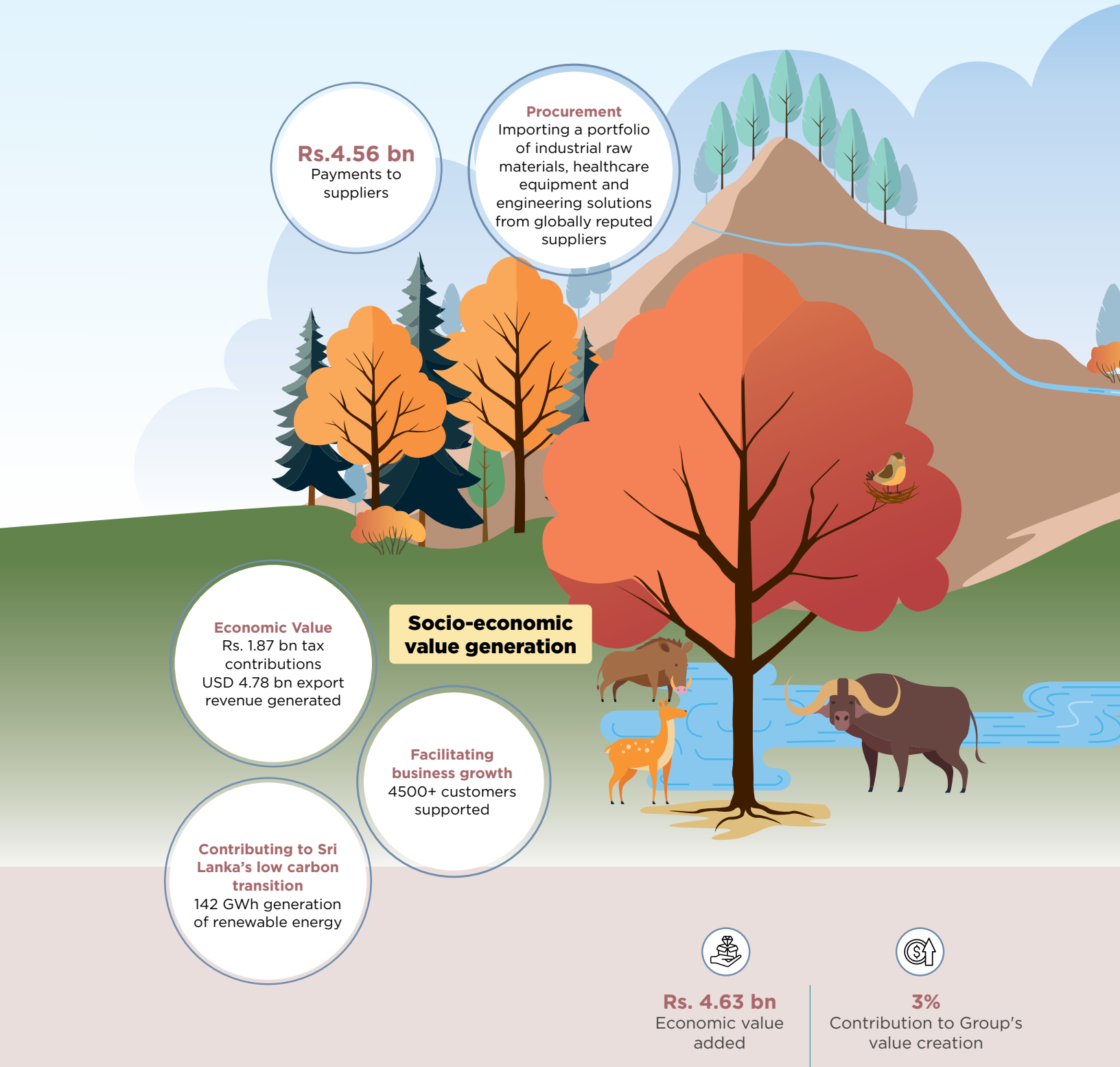
FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none">• Strengthen social media presence to drive increased conversion rates• Dynamic pricing strategy to increase competitiveness• Diversification of target customer segments• Improve employee value proposition to enhance retention levels• Ongoing focus on cost optimisation	<ul style="list-style-type: none">• Enhance corporate proposition of The Kingsbury• Soft refurbishments of rooms and other amenities• Strengthening service culture to retain restaurant patrons
Short-term goals ROCE> 8%	Medium-to-long term goals ROCE> 15% Gearing< 55%

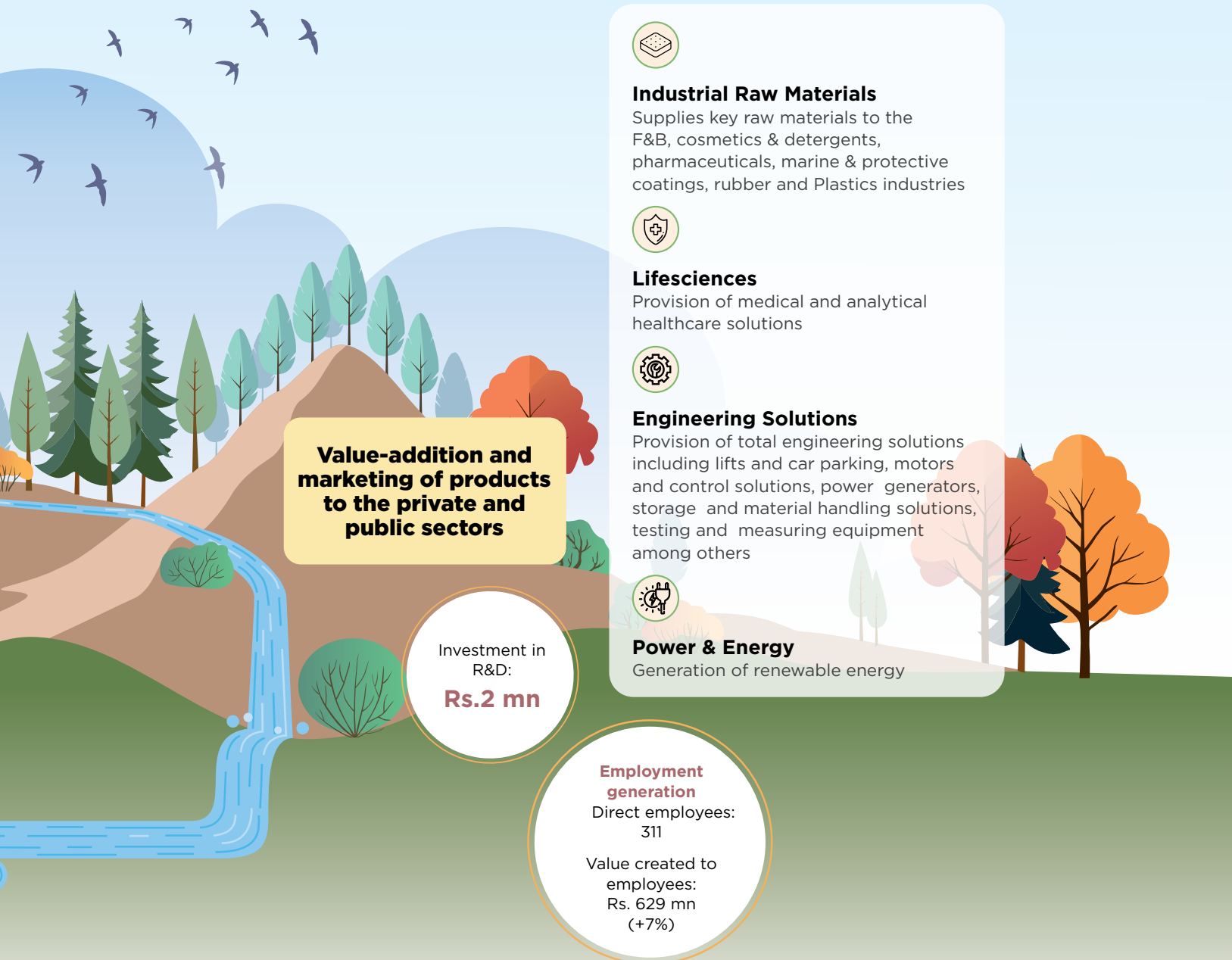


INDUSTRY INPUTS, POWER & ENERGY

Hayleys Aventura drives growth of Sri Lanka's industrial sector through providing access to a range of world-class industrial raw materials and engineering solutions. The Sector also drives the advancement of Sri Lanka's government healthcare sector through providing access to advanced health care technology and solutions. Through the Power & Energy cluster, Aventura contributes to the country's low- carbon transition through an installed capacity of 50MW of hydro, solar and wind power.

INDUSTRY INPUTS, POWER & ENERGY





Revenue Rs. 9.73 bn (+12%)	Profit Before Tax Rs. 1.34 bn (+10%)	Profit After Tax Rs. 1.05 bn (-13%)	Assets Rs. 16.26 bn (+3%)	Liabilities Rs. 6.65 bn (+5%)	Employees 311 (+5%)	Carbon footprint 803 tCO ₂ e (+68%)

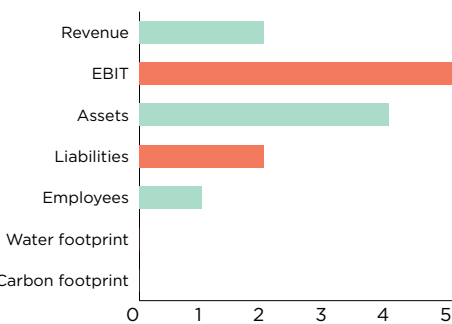
+ denotes y-o-y growth - denotes y-o-y decline

INDUSTRY INPUTS, POWER & ENERGY

SECTOR OVERVIEW

The Sector is represented by Hayleys Aventura, one of Sri Lanka’s leading suppliers of industrial raw materials to domestic and export-oriented industries as well as medical and analytical equipment and engineering solutions. In Power & Energy, the Sector is a leading producer of renewable energy, with a collective installed capacity of 50MW in mini hydro, wind and solar power plants, contributing to the total renewable energy installed capacity in the renewable energy sector of Sri Lanka.

CONTRIBUTION TO GROUP



INDUSTRIAL RAW MATERIALS

Supplier of a range of input materials to manufacturing industries

Contribution to Sector
Revenue: 46%
PBT: 16%

Performance 2023/24
Revenue: 23% growth
PBT: 2% growth

LIFESCIENCES

Supplier of medical and analytical equipment

Contribution to Sector
Revenue: 26%
PBT: 30%

Performance 2023/24
Revenue: 12% growth
PBT: 60% growth

ENGINEERING

Supplier of engineering solutions to industries

Contribution to Sector
Revenue: 16%
PBT: 10%

Performance 2023/24
Revenue: 23% decline
PBT: 2% growth

RENEWABLE ENERGY

Renewable energy generation through hydro, wind and solar sources

Contribution to Sector
Revenue: 12%
PBT: 43%

Performance 2023/24
Revenue: 1% decline
PBT: 6% growth

COMPETITIVE POSITION

Extensive footprint across key domestic industries in polymer, F&B cosmetics and detergents and healthcare among others. **Presence in regional markets** including Maldives, Bangladesh Indonesia, Seychelles and Pakistan

Long-standing partnerships with **148 principals**, including globally reputed suppliers

3 Wind power plants
3 Hydro power plants
1 Solar power plant

Array of solutions in **industrial raw materials, medical and analytical equipment and engineering solutions** including generators, lifts and car parking, energy savings solutions, storage and material handling equipment, testing and measuring equipment among others

-9%
Contraction in Industrial Sector

-21%
Contraction in Construction Sector

21%
Reliance on non-conventional renewable energy

OPERATING ENVIRONMENT

The operating landscape remained challenging during the review period, reflecting subdued demand from industries catering to the domestic market amidst a decline in consumer spending. While demand from export industries remained relatively stable, overall demand decelerated in view of the prevalent challenges in the domestic economy. Demand for Engineering Solutions was also lackluster during the year, reflecting contractions in the country's Industrial, Manufacturing and Construction sectors. The appreciation of the exchange rate had mixed effects on the Sector, which has exposure to both dollar receivables and payables. While liquidity constraints faced by the government sector continued to impede collections, conditions improved in comparison to the previous year supported by the influx of foreign funding for specific healthcare projects. Meanwhile, in line with the global energy transition and Sri Lanka's 2050 net zero aspirations, the Government is driving the widespread adoption of renewable energy sources, with a target of achieving 70% reliance on renewable energy by 2030, from the current levels of 50%.

Summary of external drivers

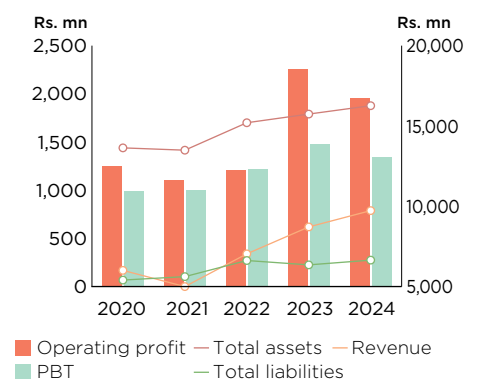
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Decline in consumer spending	H	- Subdued demand from industries such as Food and Beverage and Cosmetics
	Contraction in the industrial and construction sector	M	- Weak demand for Engineering Solutions given limited commencement of new projects
	Appreciation of the exchange rate	H	+ Leads to lower import costs and increased attractiveness of pricing to local customers
Industry context	Government impetus towards transitioning to a low carbon economy	M	+ Increased opportunities for renewable energy projects
	Talent migration	H	- Challenges in talent attraction and retention
Sustainability context	Increasing preference for sustainable solutions across industries	H	+ Opportunity to introduce sustainable innovations in partnership with our global partners
	Focus on energy efficiency across industries	H	+ Growth opportunities in catering to green and efficient energy solutions

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

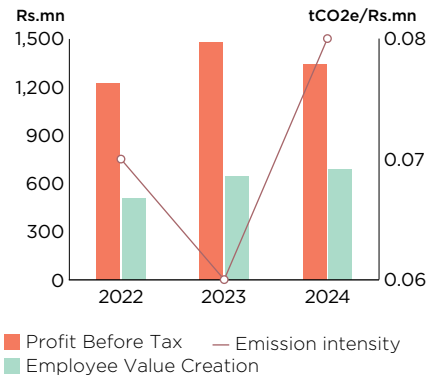
The Sector's performance during the year inevitably reflected the challenges stemming from the external environment. Revenue increased by 12% to Rs. 9.73 bn, driven by the Industry Inputs cluster, which delivered top line growth of 23% (and contributed 46% to the Sector) supported by good growth in regional markets. The Power & Energy cluster saw Profit Before Tax increasing by 6% respectively. Overall, however profitability was affected by the challenges in the Industry Inputs cluster resulting in the Sector's Profit Before Tax and Profit After Tax declining by a respective 10% and 13%.

SECTOR FINANCIAL PERFORMANCE



INDUSTRY INPUTS, POWER & ENERGY

INTEGRATED PERFORMANCE



Industrial Raw Materials

The sub-sector delivered a subdued performance, reflecting the decline in consumer spending which affected demand from key industries such as F&B, cosmetics and polymers. Meanwhile demand from export-oriented industries such as polymers, gloves and tiles were somewhat subdued during the year, reflecting global dynamics. The Sector continued to focus on widening its sustainability-linked product portfolio given increasing consciousness of environmental factors; for instance, having launched the biodegradable plastic additive, Eco One in the previous year the Sector focused on increasing penetration through acquisition of new customers.

Lifesciences

In this sub-sector, Aventura commands market leadership in the general x-ray segment and also has a presence in high-end segments such as radiology, oncology and cardiology. While domestic demand remained relatively unchanged, the sub-sector pursued strong growth in regional markets, pursuing new customer acquisition in the Maldives. Plans are currently in place to widen agency agreements to cover Maldives and Bangladesh in addition to Sri Lanka, thereby presenting significant regional opportunities. While domestic demand continued to be impeded by

liquidity constraints in the government healthcare sector, selected projects gained traction following the receipt of foreign funds for specific areas. The cluster demonstrated strong performance supported by regional expansion with 60% growth in profits.

Engineering Solutions

As Sri Lanka's demand dynamics remained unfavourable, reflecting the contraction in Sri Lanka's Industrial and Construction sectors the sub-sector commenced a rental fleet and engaged primarily in repair and maintenance activities. It also directed increased focus towards strengthening its position in regional markets. Accordingly, the sub-sector recorded a 2% growth in profits, driven by proactive marketing strategies and increased penetration in both Maldives and Bangladesh. Continued focus was also placed on expanding the portfolio of products and services offered and during the year, Aventura partnered with globally reputed Stamford Alternators, entering into a regional service partnership for alternators, parts and expert services. The cluster also successfully obtained the Agency for Avery Weigh-Tronix during the year.

Power & Energy

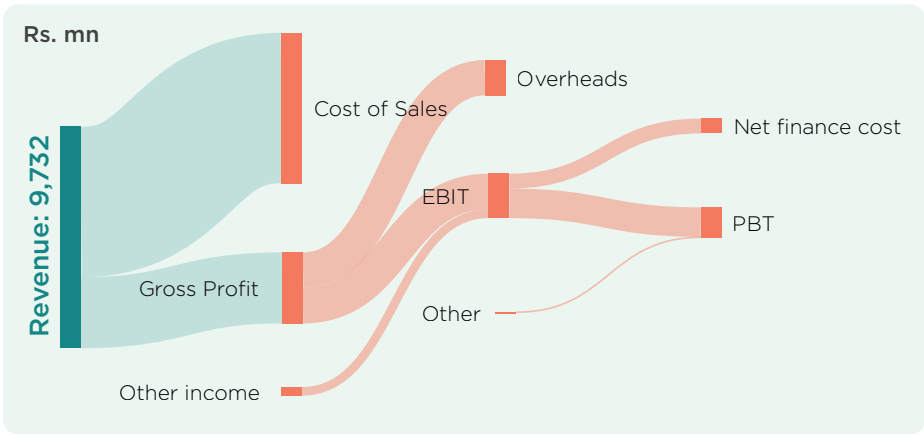
The cluster's Profit Before Tax increased by 10% during the year, reflecting stronger rainfall in generating regions. With the expected downward

revisions of tariffs rates on the 2nd tier of power plants, performance is expected to be subdued in 2024/25. Aventura sees tremendous potential for renewable energy in the medium-to-long term, given the government's thrust towards reducing dependence on fossil fuels and achieving net zero aspirations by 2050. The Sector also pursued aggressive regional growth in Bangladesh, which is expected to come to fruition in the medium term.

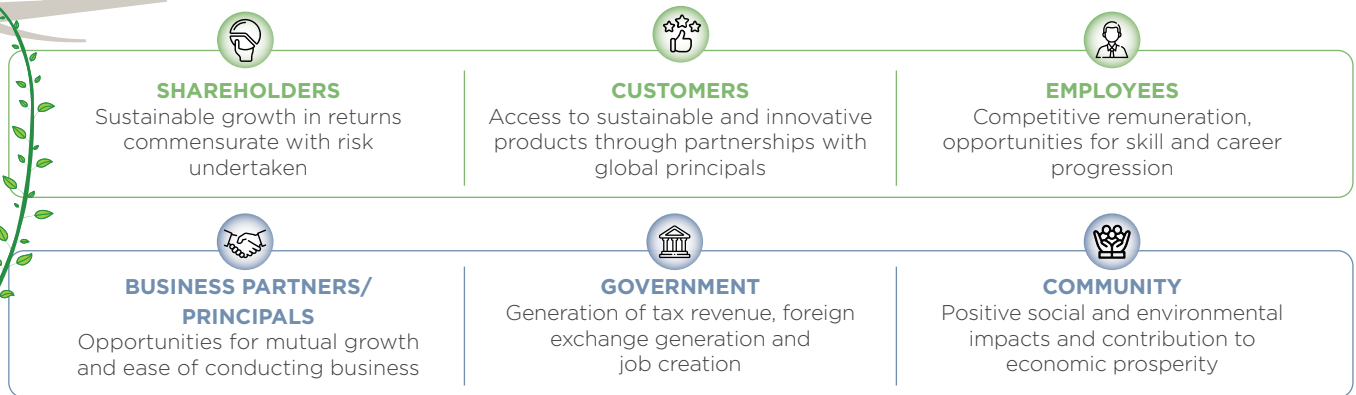
While employee retention remained a challenge, the Sector focused on strengthening capabilities through access to training and development and increasing employee satisfaction through numerous engagement interventions.

ESG in Action

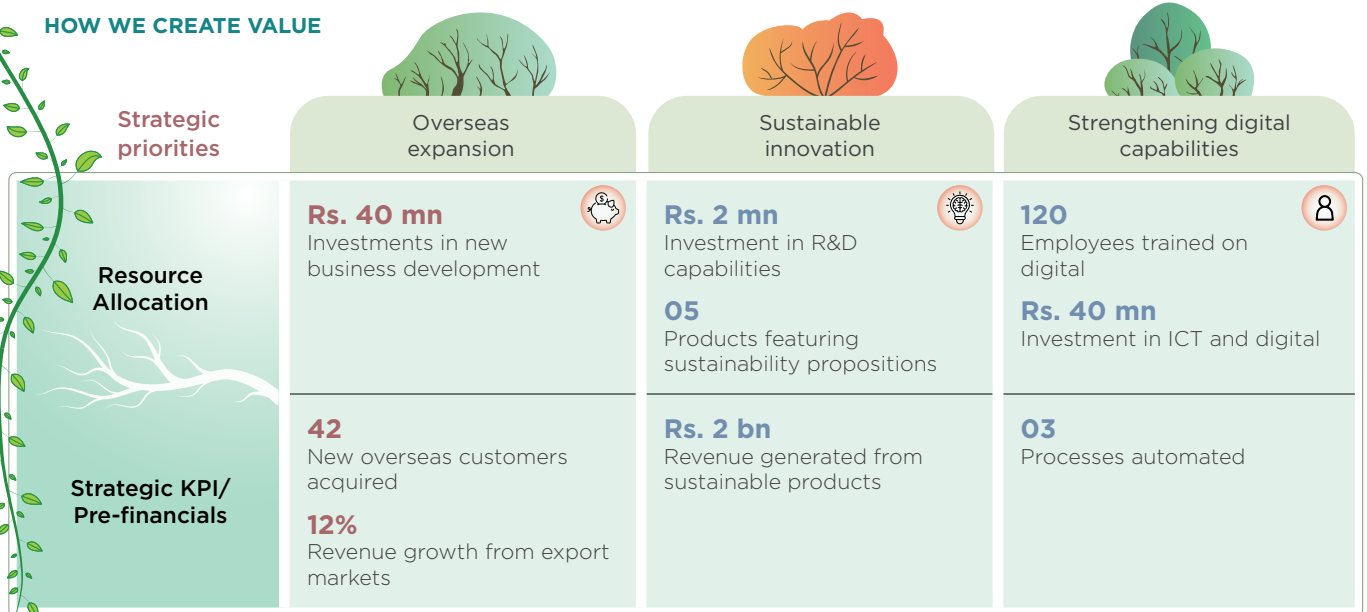
The Sector's ESG aspirations center on offering access to global innovations which drive positive social and environmental benefits to local industries. With increasing focus on sustainability considerations, these efforts are expected to accrue significant positive impacts and mitigate adverse environmental impacts of local industries. In line with the ESG integration agenda of Hayleys, the Sector also established an ESG Steering Committee to identify and respond to emerging ESG risks and opportunities. The Sector also obtained third-party assurance on its carbon footprint during the year.



HOW WE DEFINE VALUE



HOW WE CREATE VALUE

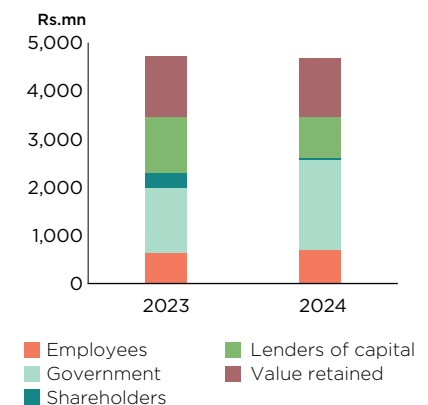


HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 5% in view of subdued demand
- Payments to employees increased by 7% during the year
- Value generated to Governments amounted to Rs. 1.87 bn an increase of 39% compared to the previous year
- Payments to lenders of capital decreased by 28%
- Value retained in the business for future investment amounted to Rs. 1.23 bn compared to Rs. 1.26 bn the previous year



VALUE DISTRIBUTION



INDUSTRY INPUTS, POWER & ENERGY

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	9,732	8,718	12	7,041
Earnings Before Interest and Tax	1,953	2,255	(13)	1,204
Net finance income/(cost)	(655)	(917)	(29)	(175)
Profit Before Tax	1,339	1,481	(10)	1,220
Profit After Tax	1,050	1,207	(13)	1,048
Assets	16,262	15,741	3	15,201
Liabilities	6,652	6,356	5	6,627
Operating Cash Flow	1,375	368	274	(19)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>12%	21%		
Gearing	35%-45%	23%		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.67	0.13	415	169
Water Intensity (Litres/Revenue Rs.mn)	334	36	9-fold	33
Carbon Intensity (tCO ₂ e/Revenue Rs.mn)	0.08	0.06	50	80
No. of Employee	311	296	5	296
Revenue per Employee (Rs.mn)	31	29	7	24
Remuneration per Employee (Rs.mn)	2	2	-	2

ESG HIGHLIGHTS




CLIMATE ACTION

- As one of Sri Lanka's largest renewable energy operators, the Sector generated 142 GWh of solar, wind and hydro energy during the year, offsetting 105,136 of the Group's carbon footprint
- Rooftop solar installation in the Sector's Industrial Raw Materials manufacturing facility (Haycolour)

	2024	2023	Y-o-y
Renewable energy generation (GWh)	142	143	-
Carbon footprint offset (tCO ₂ e)	105,136	105,943	(1)
Sector energy consumption (Gj)	6,487	1,161	459
Carbon footprint (tCO ₂ e)	803	480	68

INDUSTRIAL SOLUTIONS THAT SHAPE A BETTER FUTURE

EcoOne		<ul style="list-style-type: none"> Accelerate rate of degradation to 18-24 months Support recyclability Certified by third-party local and global testing include Bureau Veritas
Recovered carbon black		<ul style="list-style-type: none"> Contributes towards a circular economy by reusing carbon black from the tyre industry
Illumina Next Generation Sequencing		<ul style="list-style-type: none"> Enabled targeted precision treatment of medical conditions

EMPLOYEE VALUE CREATION

During the year focus was placed on building leadership skills and ensuring succession planning



	2024	2023
No. of employees	312	296
Training investment (Rs.mn)	14	8
Payments to employees (Rs.bn)	686	641

INDUSTRY COLLABORATION

Inaugural Congress for Sustainable Materials- 'The Future of Plastics and Packaging'

The Sector provided leadership to a much-needed industry dialogue on the issue of non-biodegradable waste in Sri Lanka, inadequate waste management systems and potential solutions to ensure responsible use and disposal of plastic

PROSPECTS AND PLANS

Despite short-term volatilities stemming from the country's still recovering industrial activity, the medium-to-long term prospects for the Industry Inputs cluster remains promising. As macro-economic conditions record gradual stability, industrial activity is expected to strengthen along with improved customer sentiments. Meanwhile, in the Power & Energy cluster, the Government's aspirations of reaching 70% renewable energy generation by 2030 presents significant opportunities for growth. The short, medium and long-term opportunities and risks shaping industry dynamics are listed below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+ Gradual recovery of the Industrial Sector

The gradual recovery of industrial activity in line with more favourable macro-economic fundamentals is expected to augur well for the Sector in the medium-term, driving increased demand from both domestic and export-oriented businesses

Response

Aggressive market activations and customer engagement across industries

+ Technology

Technology and AI is pushing boundaries in engineering and healthcare (among others) offering significant opportunities for innovation. Technology is also redefining the modern workplace through automation, productivity and collaboration among others

Response

Ongoing engagement with global partners in accessing the latest developments in engineering and healthcare technology

+ Opportunities for regional expansion

Significant opportunities in leveraging partnerships with global principals to drive increased regional penetration, particularly in Maldives and Bangladesh

Response

Acquisition of new customers and deeper engagement with existing customers

- Government's liquidity constraints

With over 80% of the Lifesciences sub-sector relying on government contracts, liquidity constraints can lead to longer debtor days and higher finance cost

Response

Ongoing debtor engagement and diversification of customer base

Sustainability related risks and opportunities (SRRO)

Sri Lanka's net zero ambitions and push to renewable energy

In line with Sri Lanka's Net Zero Roadmap the country is gearing up renewable energy projects as it aims to tackle emissions and transition to a low-carbon economy

< 1 year	Increased interest in renewable energy given escalation in fossil fuel-based energy costs
1-5 years	Significant growth potential with the Government aiming for 70% renewable energy by 2030
>5 years	With the government committing to zero new coal fired plant, RE will be positioned as the key solution to bringing s to bridge the country's energy requirements
Response	Aggressive pursuit of new projects

Increasing demand for sustainable materials

As the world shifts to a low-carbon economy and environmental regulations become increasingly stringent, demand for sustainable materials are expected to increase

< 1 year	Interest from export-oriented businesses which are subject to regulations from EU
1-5 years	Anticipated increase in demand from both export-oriented businesses and domestic businesses
>5 years	Use of sustainable materials become widespread, providing significant upside potential for suppliers of industrial materials
Response	Exploring opportunities to partner with our global principals on innovative sustainable materials



INDUSTRY INPUTS, POWER & ENERGY

Against the backdrop, the Sector will place strategic emphasis on both product and market development, directing focus on expanding the regional presence and supporting export-oriented industries.

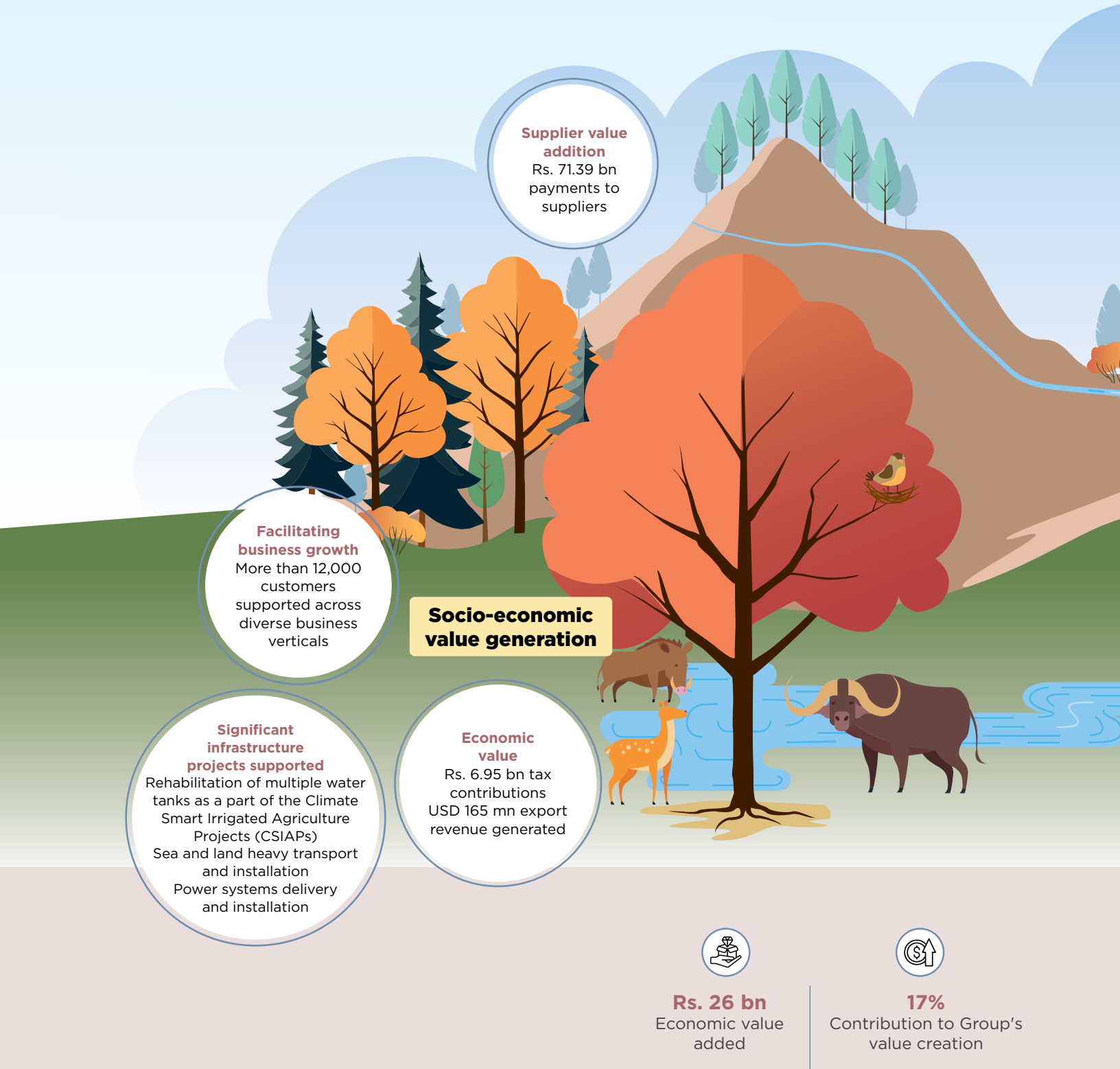
FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none">• Capacity expansion in Industrial Raw Materials• Expand bio-degradable product portfolio to regional markets• Product diversification• Penetration into high-end applications in the Lifesciences sub-sector• Market development through expansion to new regions in Lifesciences• Investments in new renewable energy projects.	<ul style="list-style-type: none">• Develop new brands catering to diverse industry applications• Product development focused on surgical and critical care segments in Lifesciences• Offer generation solutions in regional markets including Maldives, Seychelles and Bangladesh
Short-term goals ROEC>10% Gearing<55%	Medium-to-long term goals ROCE>10% Gearing< 45%



TRANSPORTATION & LOGISTICS

As Sri Lanka's leading transportation and logistics solutions provider, Hayleys Advantis has played a critical role in positioning Sri Lanka as a globally competitive logistics hub. Logistics underpin a nation's economic growth and Hayleys Advantis plays an unparalleled role in facilitating activity of diverse industry verticals through uninterrupted, comprehensive logistics solutions

TRANSPORTATION & LOGISTICS



Provision of the entire spectrum of transportation and logistics solutions

Employment generation

Direct employees: 2,899
Value created to employees: Rs. 11.52 bn 18%



Freight Management

Major contributor in facilitating international trade through ocean freight, air freight, project cargo freight and multi-modal, multi-country transportation



Integrated Logistics

we provide third-party logistics (3PL), warehousing, free zone logistics, bonded storage facilities, inland container depot operations, international express, cross-border freight services and last-mile delivery services.



Marine & Energy

Leading marine services and ship supplies provider in the region, offering a comprehensive range of services from vessel agency work, towage & salvage services, offshore support services crew management, ship operations shipping services, energy logistics, bunkering and agency & port services and bunkering services.



Projects & Engineering

We are a leader in providing project logistics and engineering solutions in Sri Lanka, and provide a diverse range of services, including logistics for heavy and out of gauge cargo, engineering & construction solutions, inland container depot operations, aluminium solutions, interiors & contracting, and project management services.



Travel & Aviation

As a leading Aviation services provider in Sri Lanka, our scope includes airline agency representation, travel agency services, aviation equipment supplies, and ground handling.



Revenue
Rs. 91.4 bn
(-32%)



Profit Before Tax
Rs. 3.6 bn
(-76%)



Profit After Tax
Rs. 1.35 bn
(-86%)



Assets
Rs. 74 bn
(+6%)



Liabilities
Rs. 55 bn
(+7%)



Employees
2,899
(+21%)



Carbon footprint
45,863 tCO₂e
(+30%)

+ denotes y-o-y growth - denotes y-o-y decline

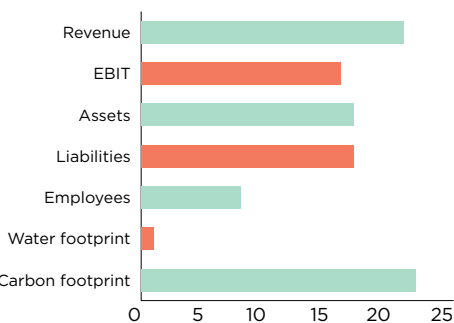
TRANSPORTATION & LOGISTICS

SECTOR OVERVIEW

Hayleys Advantis Group is the undisputed leader in Sri Lanka's transportation and logistics industry, offering end-to-end logistics solutions covering land, air and sea transport as well as the full spectrum of solutions in integrated logistics, projects and engineering, marine and energy, freight management and travel & aviation. Advantis' competitive edge is underpinned by its array of unmatched solutions, world-class service standards and customer centricity, which were recently recognised when the Group was awarded the 'Best Transportation and Logistics Company in Sri Lanka and South Asia' by the Global Brands Magazine, UK.

Unisyst Engineering PLC, in which the majority share is held by Advantis Projects and Engineering has announced plans to delist from the CSE

CONTRIBUTION TO GROUP



COMPETITIVE POSITION

- Largest operator of floating assets in Sri Lanka with a fleet of 23 assets
- Largest Agency house in Sri Lanka and the Maldives
- Warehouse footprint of over 3 mn square ft across 6 markets
- Multi-purpose project logistics capabilities
- B2B distribution footprint of 7.2 million KM annually

Strengthening market presence in transportation and logistics in South Asia and South East Asia

Partnerships with numerous global principals including the world's leading shipping and freight forwarding companies

FREIGHT MANAGEMENT

One of Sri Lanka's largest freight forwarding and shipping agency houses

Contribution to Sector
Revenue: 9%
PBT: 88%

Performance 2023/24
Revenue: 45% decline
PBT: 58% decline

INTEGRATED LOGISTICS

Offers integrated logistics services across diverse industry verticals

Contribution to Sector
Revenue: 13%
PBT: -1%

Performance 2023/24
Revenue: 17% decline
PBT: 105% decline

MARINE & ENERGY

Offers a range of shipping services from vessel agency work to offshore support services

Contribution to Sector
Revenue: 59%
PBT: 54%

Performance 2023/24
Revenue: 41% decline
PBT: 66% decline

PROJECTS & ENGINEERING

A leader in providing project logistics and engineering solutions in Sri Lanka and Maldives

Contribution to Sector
Revenue: 8%
PBT: -19%

Performance 2023/24
Revenue: 17% decline
PBT: 309% decline

INTERNATIONAL OPERATIONS

Represents the Sector's overseas operations in the region

Contribution to Sector
Revenue: 12%
PBT: 17%

Performance 2023/24
Revenue: 29% decline
PBT: 43% decline

TRAVEL & AVIATION

Leading travel and aviation services provider representing leading airlines

Contribution to Sector
Revenue: 3%
PBT: -30%

Performance 2023/24
Revenue: 23% growth
PBT: 14% decline


0.3%

Global trade volumes


3.6%

Sri Lanka cargo volumes

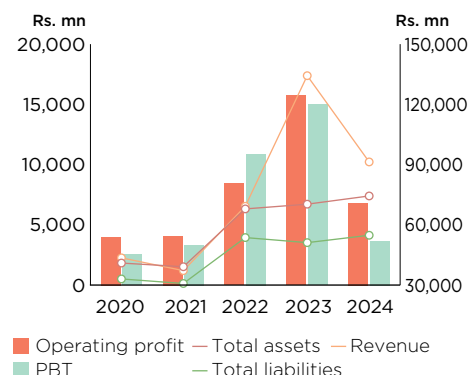

89%

Increase in global freight rates

OPERATING ENVIRONMENT

Global merchandise trade volumes slightly improved by 0.3% in 2023 with strong regional disparities amidst global geopolitical tensions, divergent economic growth and disruptions to main shipping routes. For instance, import demand fell sharply in Europe, remained flat in Asia and grew in fuel-exporting economies. Disruptions to shipping routes during the latter part of 2023, have had wide ranging implications on global trade with diversion of traffic resulting in longer voyage times, higher fuel costs and somewhat reversing the downward trend in freight rates. On average, however, global freight rates which reached unprecedented highs in the aftermath of COVID-19 have continued to trend downwards. Sri Lanka's port and airport activities recorded modest improvement, rebounding from the implications of the economic crisis during the latter part of the year. Accordingly, total containers handled increased by 1.3% while air cargo handled decreased by 7% supported by the gradual recovery of macro-economic conditions, lifting of import restrictions and stabilisation of interest and exchange rates.

SECTOR FINANCIAL PERFORMANCE



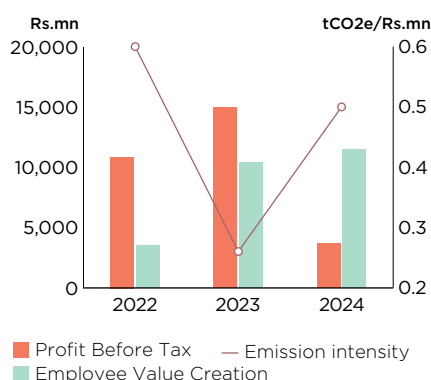
Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Global geo political tensions	H	- Potential disruptions to shipping routes and implications on voyage length and fuel costs and freight rates
	Volatility in freight rates	M	+ Gradual improvement of freight rates towards the latter part of the year
	Global inflation	M	- Downward impact on the consumption of trade-intensive goods
Industry context	Exchange rate volatility	M	- Impact on global competitiveness and profitability margins
	Increased uncertainty in trade policy	H	- Limited predictability of trade activity
	Technology driven transformation	H	+ Potential improvements in efficiency, cost management and improve the uptime of vessels
Sustainability context	Increased regulations on sustainable shipping	M	+ Increased cost of compliance
	Decarbonisation	M	+ Opportunity to sharpen competitive edge through differentiation + Potential opportunities for cost reductions

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

TRANSPORTATION & LOGISTICS

INTEGRATED PERFORMANCE



STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector's performance reflected its efforts to consolidate operations in a year characterised by numerous external challenges. Against this backdrop, the Sector adopted a long-term view to value creation, focusing on retaining relationships, strategising for the future and building a strong platform to drive future growth. The Sector's Revenue declined by 32% to Rs. 91,353 mn, reflecting lower freight rates, appreciation of the Sri Lankan Rupee, as well as the discontinuation of the domestic fuel license through which the Sector had supplied bunker fuel temporarily to the domestic market the previous year. Meanwhile, the Sector's Profit Before Tax also normalised to Rs. 3,671 mn from the record highs of the previous year.

The Freight Management cluster recorded a decline in Profits of 59% mainly due to the normalisation of freight rates during the year and a decline in trade volumes given the softening of global demand. The performance of the Integrated Logistics cluster also weakened significantly, reflecting lower occupancy levels at the warehousing facilities. As consumer purchasing power weakened amidst high inflation, demand for third-party logistics from the FMCG sector also declined, while increasing price consciousness of customers also led to a contraction in profitability margins. Despite short-term volatilities, the long-term prospects of the cluster remain promising given the increasing preference towards third-party logistics services.

Performance of the Marine & Energy cluster normalised from the record highs of the previous year, following the discontinuation of the distribution of fuel to the domestic market. The Cluster focused on the acquisition of new customers and retention of existing relationships through offering an enhanced value proposition at attractive pricing, which although temporarily affecting profitability is expected to drive long-term growth. The Projects & Engineering cluster continued to be dampened by the persistent downturn in the country's construction sector and infrastructure projects.

The Sector refined its international expansion strategy during the year to direct focus towards selected markets which present the most significant opportunities for growth. Accordingly, the Sector will drive deeper penetration in the four markets of Bangladesh, India, Indonesia, and Thailand, leveraging on its established relationships to offer a wider portfolio of services. The Sector's organisational structure was also repurposed with the strengthening of regional leadership capabilities, aligned with the geographical focus.

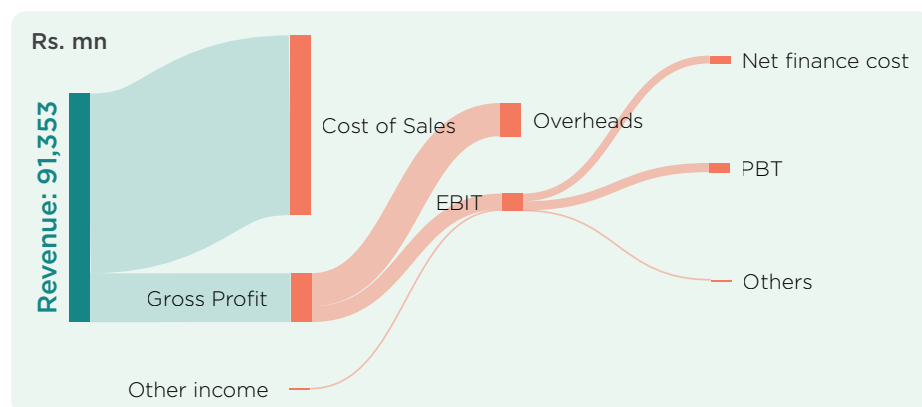
The Travel & Aviation cluster marked a significant achievement by winning a competitive bid for the General Sales Agency to represent Air India, the flag carrier airline of India. This partnership presents significant opportunities for medium-to-long term growth, given the potential to position India as the transit hub for long haul travel and establish Air India as the airline of choice for Sri Lankan travellers to the Europe and Americas.

The Sector continued to focus on strengthening its value position to employees with considerable enhancing investments directed towards enhancing leadership skills across all levels. A culture of learning is nurtured through Advantis Campus- the Sector's dedicated in-house corporate campus which enables employees to share knowledge across diverse disciplines. The Sector also continues to nurture a future-ready, holistic and dynamic organisational culture through Advantis DNA centering on the four pillars of Purpose, Spirit, Philosophy and Values.

ESG IN ACTION

The Sector marked a step change in its ESG aspirations during the year, with the launch of its ESG strategy, HELIOS. Centered on the seven pillars of energy, emissions, biodiversity, employee engagement, community engagement, safety and governance, HELIOS is aligned to the long-term aspirations of the Hayleys Lifecode while reflecting industry-specific risks and opportunities.

- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Access to reliable and high-quality engineering solutions and excellent customer service



EMPLOYEES

Competitive remuneration, opportunities for skill and career progression



PRINCIPALS

Opportunities for mutual growth and ease of conducting business



GOVERNMENT

Generation of tax revenue, supporting the country's emission reduction aspirations and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Focused regional expansion

Rs. 204 mn

Sales and marketing expenses in selected geographies



Resource Allocation

Strategic KPI/ Pre-financials

Customer acquisition

-29%

Revenue growth from overseas markets

Organisational restructure

Matrix structure reflecting both geographical and product focus



People development

Rs. 71 mn

Investment in training

3,162

Employees trained



204

Promotions

76%

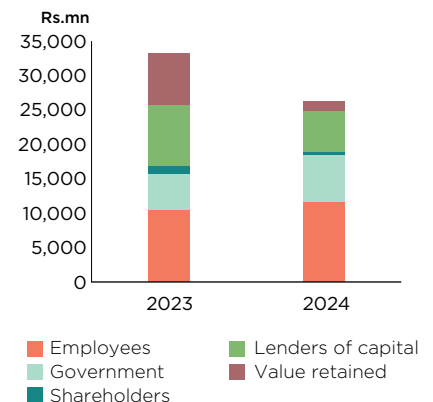
Employee retention

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 1% in view of the challenging external conditions
- Payments to employees increased by 11% during the year
- Value generated to Governments amounted to Rs. 6,954 Mn and 27% of the total value created
- Payments to lenders of capital decreased by 32%
- Value retained in the business for future investment amounted to 6% compared to 29% the previous year



VALUE DISTRIBUTION



TRANSPORTATION & LOGISTICS

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	91,353	134,295	(32)	69,273
Earnings Before Interest and Tax	6,806	15,737	(57)	8,422
Net finance income/(cost)	3,113	(967)	220	2,226
Profit Before Tax	3,671	15,008	(76)	10,873
Profit After Tax	1,351	9,627	(86)	8,611
Assets	74,415	70,325	6	67,967
Liabilities	54,852	51,174	7	53,698
Operating Cash Flow	(5,124)	4,296	(219)	14,823
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>15%	13%	Unfavourable external dynamic during the year	
ROE	>20%	7%		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Cargo handled (Mn MT)	100	96	3.6	104
Energy Intensity (GJ/Revenue Rs.mn)	5.3	3.23	65	6.3
Water Intensity (Litres/Revenue Rs.mn)	536	402	33	813
Carbon Intensity (tCO2e/Revenue Rs.mn)	0.5	0.3	91	0.6
No. of Employees	2,899	2,399	21	2,626
Revenue per Employee (Rs.mn)	31.5	29	9	24
Remuneration per Employee (Rs.mn)	4	2.2	82	2

ESG HIGHLIGHTS



Climate action

- The Sector improved its emission reporting, widening the coverage of its scope 3 emissions following an external assurance on its GHG inventory.
- Pursuing options to decarbonise vessels with the use of alternative fuels such as bio diesel



BUILDING FUTURE LEADERS

Advantis partnered with the CINEC campus to deliver a series of transformative workshops catering to undergraduate students. Sessions delivered included fundamentals of problem solving, effective time management and entering the job market



	2024	2023	Y-o-y	Target
Carbon footprint (tCO2e)	45,863	35,323	30	50% reduction

ADVANTIS BLUE CARBON

The Project seeks to increase the national blue carbon sinking capacity by supporting the conservation and replenishment of coastal ecosystems. The initiative is focused on accelerating the natural regeneration of mangroves at Anawilundawa and included the following:

- Facilitating the studying and collection of data by supporting a team of scientists
- Setting up a pre-engineered laboratory facility adjacent to data collection points
- Gathering topographical data and developing hydrological models providing valuable scientific insights



EMPLOYEE VALUE CREATION

Several companies within the Sector have obtained the Great Place to Work Certification. The Sector's people strategy for the year centered on, skill development, culture-building, health and well-being and diversity, equity and inclusion (DEI) among others



	2024	2023
No. of employees	2,899	2,399
Training investment (Rs.mn)	71	76
Average training hours/employee	6	11

PROSPECTS AND PLANS

The World Trade Organisation anticipates that merchandise trade volumes will increase by 2.6% in 2024 and 3.3% in 2025 as inflationary pressures ease and real household incomes improve. This forecast however, is associated with a high degree of uncertainty given the recent escalation in regional conflicts and geopolitical tensions. Despite short-term volatilities, Sri Lanka's port activity is poised for long-term growth, supported by the gradual recovery of the economy together with policy thrust towards strengthening exports and port infrastructure. The outlook for the Sector is shaped by the following risks and opportunities.

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

⊖ Escalating geopolitical tensions

Conflict in the Middle East has disrupted main shipping routes and diverted sea shipments between Asia and Europe. Attacks on commercial ships in the Red Sea have resulted in several carriers avoiding transiting via the Red Sea altogether, causing the average number of weekly passages to plunge. This could also lead to some fragmentation in trade flows, with trade activity reorienting along geopolitical lines.

Response

Diversification of revenue sources and geographical footprint

+ Regional dynamics

Sri Lanka's locational advantage and strategic positioning along the main maritime pathways present considerable potential for transforming the country into a central point linking the Middle East and the Far East hubs. Meanwhile, Sri Lanka can benefit from the anticipated economic growth of India, as currently the majority of Sri Lanka's transshipments are from India

Response

Expansion of the portfolio of services offered and customer acquisition

+ Digital transformation

Digital capabilities are transforming the global shipping industry with technologies such as Internet of Things (IOT), Artificial intelligence and big data acting as critical enablers in optimising operations, enhancing efficiency and increasing the uptime of vessels.

Response

The 5-year digital road map introduced for the Sector, will continue to be rolled out during the next financial year

+ Gradual recovery of the Manufacturing Sector

Sri Lanka's Industrial Sector is poised for growth with the gradual stabilisation of the exchange rate and relatively favourable interest rate dynamics fuelling the release of pent-up demand. The apparel sector is also showing promising signs of recovery over the medium to long-term supported by the country's increased competitiveness amidst the adjustment of minimum wages in competing economies.

Response

Pursuing increased customer penetration and acquisition

Sustainability related risks and opportunities (SRRO)

Decarbonisation aspirations of the International Maritime Organisation (IMO)

The IMO has committed to reducing the emissions from international shipping by at least 50% by 2050 (compared to 2008), which can only be achieved through developing new zero-carbon technologies or sustainable products

< 1 year	Limited impact over the short-term
1-5 years	Potential increase in the low-carbon shipping propositions by global operators
>5 years	Increased popularity of commercially viable zero carbon ships
Response	Currently exploring avenues of low-carbon technologies with the aim of decarbonising vessels

Shift to low-carbon economy

As the world transitions to a low-carbon economy, environmental regulations pertaining to vessel emissions, marine pollution and sea farers' rights are likely to increase in stringency

< 1 year	Regulations pertaining to the use of low-carbon fuel such as low-Sulphur fuel
1-5 years	Potential applicability of EU regulations on the use of renewable marine fuels and connection to onshore power supplies
>5 years	In addition to low-carbon ships, regulations pertaining to recycling ships and dismantling vessels could be introduced in the long-term
Response	Ongoing monitoring of emerging regulations and commitment to drive deep reductions in the carbon footprint by 2045



TRANSPORTATION & LOGISTICS

The Sector’s regional strategy, extensive customer and principal relationships, strong brand name as well as ongoing focus on expanding its service portfolio has aptly positioned Advantis to effectively leverage the industry’s upside potential. Key areas of focus in the short, medium and long-term are given below

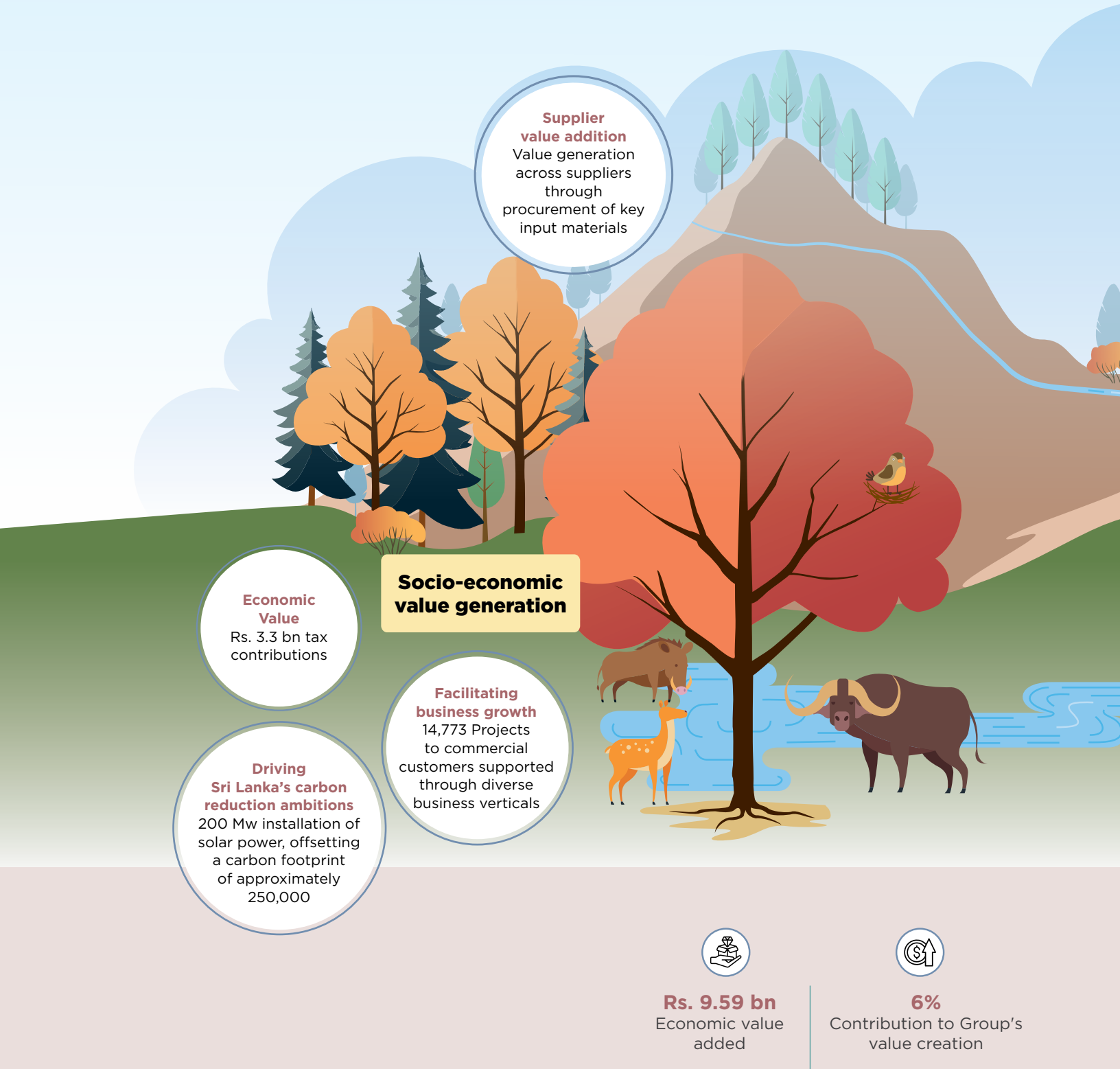
FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none">• Market penetration in existing markets• Strengthen position of Advantis Singapore• Implement digital roadmap• Initiatives to increase top-of-mind brand awareness• Execution of DEI initiatives across the Group• Exploring opportunities decarbonisation	<ul style="list-style-type: none">• Regional investments in identified markets• Enhance technological capabilities and drive productivity improvements• Customised marketing plans for each selected country• Enhance the proposition offered under Advantis Campus
Short-term goals ROCE> 15% ROE>20%	Medium-to-long term goals ROCE>15% ROE>25%



PROJECTS & ENGINEERING

Hayleys Fentons is Sri Lanka's leading provider of integrated engineering solutions, facilitating the growth of local industries and businesses through an array of Solar, ICT, Security, MEP and Facility Management (among other) solutions. As the country's leading rooftop solar PV installer, Hayleys Fentons is also at the forefront of fuelling the country's transition to a low-carbon economy.

PROJECTS & ENGINEERING



Provision of the entire spectrum of transportation and logistics solutions

Employment generation

Direct employees:
1,492
Value created to employees:
Rs. 1.31 bn

Indirect Employees

>900 sub-contractors supported through access to market, capacity development and technology transfer



Renewable Energy



System Integrated Solutions



Mechanical, Engineering and Plumbing services



Facilities management



Architectural drawings and 3D visualisations



Equipment renting



Revenue
Rs. 19.80 bn
(+46%)



Profit Before Tax
Rs. 4.33 bn
(+290%)



Profit After Tax
Rs. 3.78bn
(+232%)



Assets
Rs. 26.53 bn
(+157%)



Liabilities
Rs. 19.68 bn
(+138%)



Employees
1,492
(+42%)



Carbon footprint
1,432 tCO₂e
(-4%)

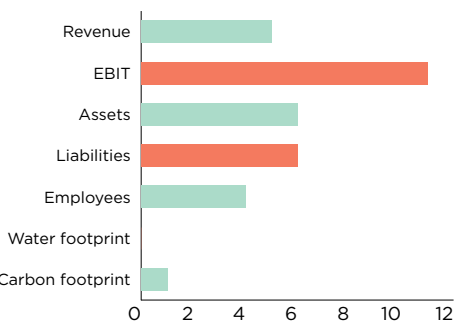
+ denotes y-o-y growth - denotes y-o-y decline

PROJECTS & ENGINEERING

SECTOR OVERVIEW

Hayleys Fentons is Sri Lanka's leading engineering services company, offering an unparalleled array of end-to-end, integrated solutions to the industrial, commercial and residential segments. Over an illustrious history spanning over a century, Hayleys Fentons has emerged as one of Sri Lanka's most trusted engineering brands founded on a strong reputation for quality, service excellence and innovation. Through its partnerships with globally reputed principals, Hayleys Fentons offers the Sri Lankan consumer access to an array of world-class products and solutions with the latest technology, driving the growth of diverse industries and uplifting living standards and quality of life across the island. The Sector emerged as a key contributor to the Hayleys Group's profits during the year, accounting for 14% of PBT and ranking the 2nd largest contributor to Profit Before Tax during the year.

CONTRIBUTION TO GROUP



COMPETITIVE POSITION

Sri Lanka's leading solar EPC (engineering, procurement and construction) company, having installed over 200 MWp of rooftop solar power systems since 2011

Facilitates the **growth of Sri Lanka's construction and infrastructure sector** through offering a variety of diverse services to landmark projects

Leading **mechanical, engineering and plumbing** (MEP) contractor in Sri Lanka, powered by a team of highly skilled professionals

Compliance to a range of domestic and international **environmental, quality and health and safety** certifications.

First ISO-certified Facility Management Service provider in the country

RENEWABLE ENERGY

Sri Lanka's largest solar EPC services provider

Contribution to Sector
Revenue: 66%
PBT: 82%

Performance 2023/24
Revenue: 141% growth
PBT: 233% growth

EQUIPMENT HIRING

Provides industrial equipment on rent-basis to a larger spectrum of customers.

Contribution to Sector
Revenue: 0.03%
PBT: (0.3)%

Performance 2023/24
Revenue: 0% growth
PBT: 0% growth

EQUIPMENT TRADING

Supplier of cutting-edge construction equipment including, electrical, instrumentation, material handling, combustion, and HVAC products

Contribution to Sector
Revenue: 8%
PBT: 7%

Performance 2023/24
Revenue: 97% growth
PBT: 198% growth

SYSTEM INTEGRATED SOLUTIONS

Offers system integrated solutions including information security, enterprise networking, energy storage solutions and IT managed services among others

Contribution to Sector
Revenue: 11%
PBT: 4%

Performance 2023/24
Revenue: 2% decline
PBT: 28%% decline

ENGINEERING SERVICES

Largest integrated engineering services provider including facilities management and architectural design visualisation solutions.

Contribution to Sector
Revenue: 15%
PBT: 8%

Performance 2023/24
Revenue: 32% growth
PBT: 204% growth

OPERATING ENVIRONMENT

The Sector's performance is typically correlated to the country's Construction Sector, which despite cascading effects from the economic turbulence of recent years showed signs of recovery towards the latter part of the financial year. While the construction industry contracted by

21% in 2023, it is noteworthy that in the last quarter of 2023 and first quarter of 2024 the sector marked a positive growth. Growth was supported by improving business sentiments together with favourable interest and exchange rate dynamics and liquidity injections by the government as settlement of dues to contractors. Meanwhile, Sri Lanka's solar sector recorded remarkable growth during the year driven by price adjustments in electricity costs. Accordingly, solar (rooftop) generation increased substantially in 2023, accounting for 9% of the total non-conventional renewable energy generation (NCRE). Meanwhile the global prices of solar panels continued its downward trajectory during the year falling by nearly 50% in view of increased production capacity and inventory piling by suppliers.



21%
Contraction in
construction industry



70%
Sri Lanka's renewable
energy target for 2030



9%
Solar contribution to
the NCRE mix

Summary of external drivers

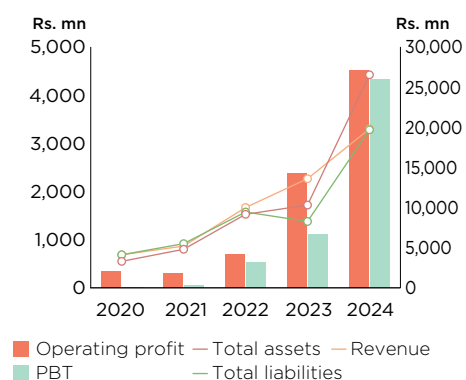
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the exchange rate	M	+ Favourable to the Sector given its reliance on imported inputs
	Contraction of the construction industry for most part of the year	M	- Subdued demand for MEP, facility maintenance and other related solutions
	Government liquidity injection to construction sector towards the latter part of 2023	M	++ Gradual recovery of construction sector and promising outlook for 2024/25
Industry context	Increase in electricity and energy prices	H	+ Increased demand for solar from both residential and industrial customers
	Decline in global solar panel prices	M	+ Improved affordability
	Intensifying competition in solar	M	- Entrance of new players and intensifying price competition
Sustainability context	Sri Lanka's national climate ambitions of increasing reliance on renewable energy to 70% by 2030	H	+ Anticipated increase in demand for solar
	Increasing popularity of sustainable financing avenues and concessionary funding schemes for green investments	M	+ Potential increase in demand for solar given access to concessionary funding schemes

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

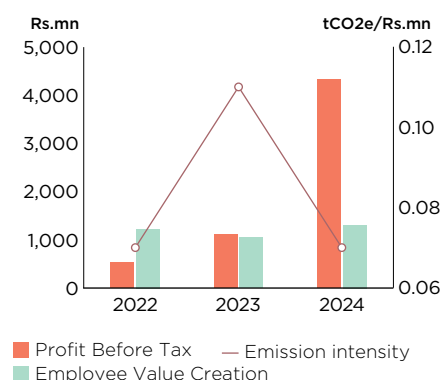
The Sector recorded delivered impressive growth and profitability during the year, emerging as the 2nd largest contributor to Group Profit Before Tax with a share of 14%. Revenue increased by 46% to Rs. 19.80 bn driven primarily by strong growth in the Renewable Energy cluster and supported by broad-based growth across all clusters. Profitability margins also improved during the year reflecting scale efficiencies in line with volume growth. The Sector's finance costs also declined significantly during the year, reflecting relentless focus on optimising working capital requirements as well as the downward trajectory of interest rates. Overall, the Sector generated a Profit Before Tax of Rs. 4.33 bn during the year a near tripling increase of Rs. 1.11 bn compared to the previous year.

SECTOR FINANCIAL PERFORMANCE



PROJECTS & ENGINEERING

INTEGRATED PERFORMANCE



Renewable Energy

The cluster reaffirmed its position as the market leader in the rooftop solar PV segment, completing 200MW of installation and commanding an estimated market share of 25%. Revenue and Profit Before Tax recorded an increase of 141% and 233% during the year and was the largest contributor to the Sector. The cluster's strategic foresight and timely interventions in penetrating the residential segment through a wider geographical footprint of 6 branches, deployment of stronger sales force and ongoing market activations enabled the cluster to capitalise on the surge in demand for solar during the year. The cluster also continued to strengthen its product proposition through the launch of solar hot water systems and irrigation and industrial pumps. In a landmark project marking a major milestone in Sri Lanka's renewable energy journey, the Cluster also constructed a 2MWh battery backup system powered by solar PV which can offer up to three days of uninterrupted power to the respective client. In ensuring the accessibility of solar to a wider market and driving the country's renewable energy aspirations, the Sector also partnered with several banks to introduce easy payment schemes and concessionary rates for solar installations.

Engineering Services

The cluster posted a strong turnaround during the year, generating a positive bottom line during year. Performance was upheld by improvements in core

performance with the recommencement of projects as well as a reduction in finance costs during the year. The cluster also optimised its organisational structure to empower leadership teams and enable better resource allocation, which in turn drove increased customer acquisition. The cluster also sought supply chain efficiencies through disintermediation and proactive negotiations with principals.

System Integrated Solutions

While the cluster secured several new projects during the year, performance was impacted by the deferment of several existing projects to the next financial year. Emphasis was placed on refining the cluster's product offering through expanding the solutions offered under the security surveillance and audio-visual services range. The cluster also relaunched its ICT services arm as Fentons Information Technology under the brand promise of 'Dependable tech-Capable hands' offering access to world-class security and network infrastructure solutions.

The cluster delivered record-high profitability during the year. Performance was supported by customer acquisition in new market segments and diversification of the service portfolio to include equipment maintenance and minor works. In a significant achievement, the cluster also entered Maldives during the year, securing a contract with a multi-national financial institution. The Architectural Drawings and 3D Visualisations cluster also represents

a new business line, which offers 3D modelling of architectural drawings, enabling viewers to obtain the first-of-its-kind immersive experience through virtual reality.

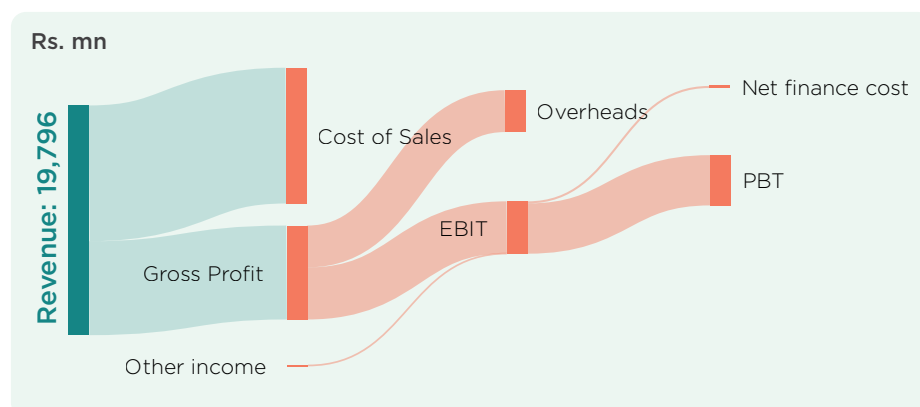
Other segments

The Equipment Trading cluster also delivered its best-ever performance through consolidating its market position in the solar panel trading and expanding its product portfolio. In a new venture, Fentons commenced Equipment Renting during the year, seizing the market opportunity presented by organisations increasingly favouring renting equipment over purchasing. This cluster is powered by a team of highly capable designers and architects.

ESG in Action

The Sector commenced its alignment with the Hayleys Group's ESG Roadmap during the year and is currently in the process of formulating its own ESG strategy with targets, action plans and deliverables up to 2030. Key interventions and developments in the Sector's ESG integration during the year included the following:

- Establishment of Sector ESG Steering Committee
- Obtaining membership of the United Nations Global Compact and committing to the 10 principles
- Strengthen ESG risk assessment and integration with existing risk processes
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



SHAREHOLDERS

Sustainable growth in returns commensurate with risk undertaken



CUSTOMERS

Access to reliable and high-quality engineering solutions and excellent customer service



EMPLOYEES

Competitive remuneration, opportunities for skill and career progression



PRINCIPALS

Opportunities for mutual growth and ease of conducting business



GOVERNMENT

Generation of tax revenue, supporting the country's emission reduction aspirations and job creation



COMMUNITY

Positive social and environmental impacts and contribution to economic prosperity

HOW WE CREATE VALUE

Strategic priorities

Consolidate leadership position in solar

Expansion of product and service portfolio

Focus on quality assurance

Resource Allocation

Strategic KPI/ Pre-financials

200
Strength of solar business development team

6 Branches in key cities

87%
Growth of renewable energy sector

25%
Market share

06
No. of new services provided

7,563
New customers acquired during the year

Ongoing Investments in certifications and process improvement

02
New certifications obtained during the year

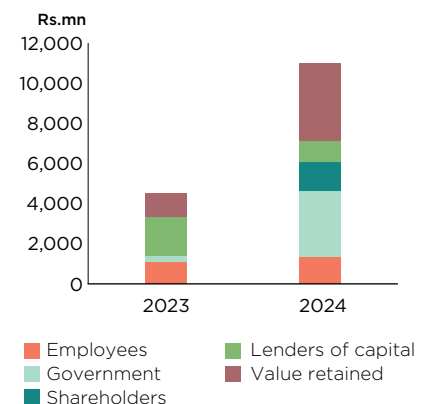
05
Total certifications

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year increased by 110%
- Payments to employees increased by 25% reflecting the Sector's increased headcount
- Value generated to Governments amounted to Rs. 3,327 mn and accounted for 35% of the total value created
- Payments to lenders of capital decreased by 45%.
- Value retained in the business for future investment amounted to Rs.9,586 mn compared Rs. 4,561 mn to the previous year



VALUE DISTRIBUTION



PROJECTS & ENGINEERING

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	19,796	13,592	46	9,473
Earnings Before Interest and Tax	4,513	2,375	90	687
Net finance income/(cost)	(180)	(1,264)	(85)	(161)
Profit Before Tax	4,333	1,111	290	527
Profit After Tax	3,784	1,139	232	384
Assets	26,530	10,315	157	9,164
Liabilities	19,684	8,273	138	9,451
Operating Cash Flow	1,484	1,334	11	(3,632)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>15%	51	Significant growth in renewable energy earnings	
ROE	>20%	240		
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.4	1.2	(65)	0.2
Emission Intensity (tCO ₂ e/Revenue Rs.mn)	0.07	0.1	(35)	0.1
No. of Employees	1,492	1,053	42	642
Revenue per Employee (Rs.mn)	13	13	2	10.3
Remuneration per Employee (Rs.mn)	0.9	1	(12)	1.35
Water intensity (litres/Revenue Rs.mn)	437	216	102	437

ESG HIGHLIGHTS



Greening the customer journey

Through its integrated solar EPC solutions, Fentons has successfully reduced the country's fossil fuel dependence, both for residential and commercial customers.



RESIDENTIAL CUSTOMERS

5,902 residences powered

- Customised services tailored for specific requirements
- Ensured affordability and accessibility through solar loans with favourable terms
- Support value chain through engaging providing panels to SME installers



COMMERCIAL PROJECTS COMPLETED

135 commercial projects completed

- Solar power installation in 800 communication towers in partnership with Dialog Axiata adding 5.6 Mw of capacity
- Hayleys Fabric- largest single roof solar PV system of 4600 kWp
- Coca Cola Biyagama factory-2,000 kWp
- Brandix 3 factories combined capacity of nearly 4,000 kWp

Empowering indirect employees across the value chain

Hayleys Solar empowers and supports over 150 micro-entrepreneurs who are partnered as installers in the operation of solar solutions.

	2024	2023	Y-o-y
Energy consumption (GJ)	8,299	16,466	-50
Carbon footprint (tCO ₂ e)	1,432	1,487	-4%



Roots of resilience

Launched a biodiversity conservation programme at the Bolgoda Lake in partnership with the Department of Coast Conservation and Coastal Resource Management (CCCRMD), with the aim of reforesting 1,000 of mangroves



Employee value proposition

Hayleys Solar empowers and supports over 150 micro-entrepreneurs who are partnered as installers in the operation of solar solutions.

	2024
No. of employees	311
Training investment (Rs.mn)	7
Total training hours	15,783
Payments to employees (Rs.bn)	1.31

PROSPECTS AND PLANS

The Sector's performance is expected to be driven by Renewable Energy over the short-to-medium term, for which the outlook remains extremely promising. The country's gradual shift towards a low-carbon economy, coupled with conducive interest and exchange rates and persistently declining cost of solar modules is expected to support this growth. The dynamics shaping the Sector's operating landscape over the short, medium and long-term are listed below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

Sri Lanka's renewable energy drive

As a signatory to the Paris Agreement, Sri Lanka has committed to achieve carbon neutrality by 2050. This commitment entails a 70% reliance on renewable energy for power generation by 2030 and gradual phasing out of fossil fuel subsidies. On the flip side however, this transition requires the country to bridge a significant funding gap of approximately USD 11 bn.

Response

The Sector intends to leverage on the policy thrust towards renewable energy through further strengthening its market position

+ Anticipated recovery of construction and infrastructure sector

Sri Lanka's construction sector and resultantly infrastructure projects are poised for growth with the gradual stabilisation of the exchange rate and relatively favourable interest rate dynamics. The strong recovery of the tourism sector is also expected to drive demand for new constructions.

Response

Strengthen market activations across key verticals to drive new customer acquisition

+ Technology driven business transformations

Emerging technologies such as virtual reality, AI, robotics and digital twins are reshaping engineering, presenting significant opportunities for businesses to drive technology enabled transformation

Response

Leveraging technology to expand the Sector's product proposition (i.e 3D visualisation through NexGen)

+ Talent migration

The recent exodus of talent from the country, particularly in the IT and technology fields has posed a considerable challenge in attracting and retaining the right talent

Response

Strategic focus on developing capabilities of team and building the next generation of leaders

Sustainability related risks and opportunities (SRRO)

Supply chain visibility

The boom in production of solar panels in China have raised concerns on the use of forced labour, violations of human rights and the use of coal-fired electricity in certain regions. This has underscored the critical importance of supply chain visibility for solar contractors and suppliers purchasing panels from China.

< 1 year	Limited impact over the short-term
1-5 years	Potential restrictions on imports from selected suppliers linked to labour allegations, particularly in the EU and USA regions
>5 years	Regulations on supply chain assessments
Response	Sourcing from globally reputed suppliers with strong social and environmental practices

+ Decarbonisation goals of businesses

Organisations, particularly those in export-oriented industries are pursuing ambitious decarbonisation goals which will require significant investments in renewable energy

< 1 year	Demand from MNC and export -oriented businesses
1-5 years	Increased demand from both domestic and export-oriented businesses
>5 years	Low emission operating models will become the norm
Response	Currently exploring avenues of low-carbon technologies with the aim of decarbonising vessels

Product end of life management

The global production boom of solar panels is estimated to create a wave of solar trash over the long-term in which recycling infrastructure remains considerably inadequate

< 1 year	Limited impact over the short-term
1-5 years	Solar panel recycling regulations are likely to come into place, aligned with the e-waste regulations in the EU
>5 years	Necessitates increased capacity in solar panel recycling and comprehensive end-of-life infrastructure for uninstallation, transportation and storage
Response	Exploring avenues for responsible disposal and recycling of waste- which is likely to impact the Sector over the long-term



PROJECTS & ENGINEERING

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Consolidate market leadership position in renewable energy Efficiency and cost management drive Optimise working capital management Market activations of new business lines to drive increased penetration International expansion 	<ul style="list-style-type: none"> Strengthen market position in renewable energy and widen presence in adjacencies. Island-wide penetration of services and improving affordability Participation in the broader spectrum energy following to the reforms of the energy sector
Short-term goals ROCE>25% ROE<30%	Medium-to-long term goals ROCE>30% Gearing>45%

SASB DISCLOSURES

Table: Engineering and Construction Services Standard

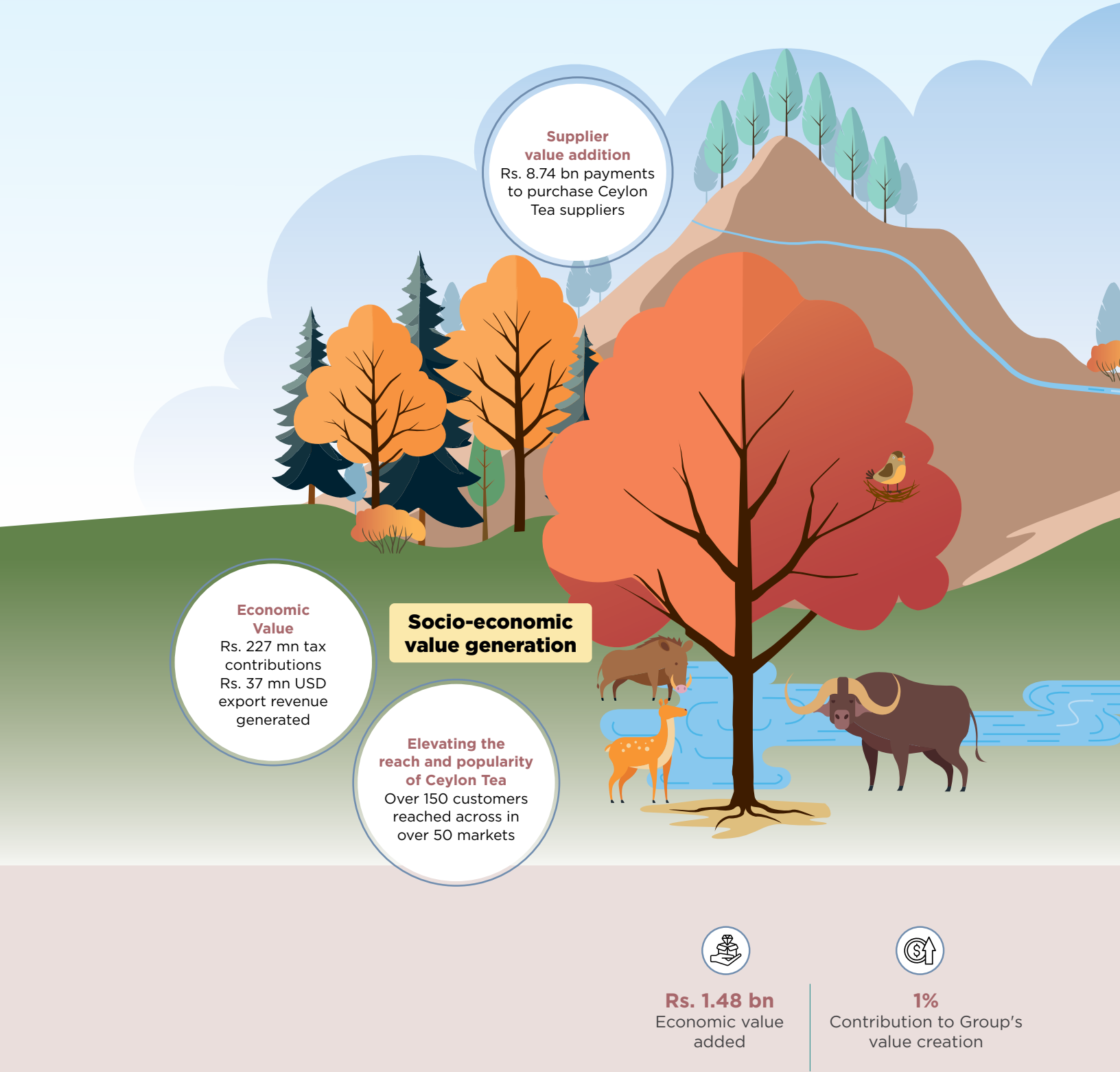
TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Environmental Impacts of Project Development	Number of incidents of environmental	Number	IF-EN-160a.1	0
	Discussion of processes to assess and manage environmental risks associated with project design, siting and construction	N/A	IF-EN-160a.2	Environmental risks are identified through compliance obligations, financial implications, stakeholder concerns and environmental impacts. This process is discussed in further detail on page 302.
	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	Presentation currency	IF-EN-250a.2	0 (No such cases identified during the year)
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	IF-EN-320a.1	Workforce Health & Safety (a) Total recordable incident rate Direct Employee=0.04 Contract Employee =0.04 (b) No fatalities recorded
Climate Impacts of Business Mix	Amount of backlog for (1) hydrocarbon related projects and (2) renewable energy projects	Presentation currency	IF-EN-410b.1	(1) 0 (2) Rs. 15,944,801,194
	Amount of backlog cancellations associated with hydrocarbon-related projects	Presentation currency	IF-EN-410b.2	0 (We are not doing the hydrocarbon-related project in our business scope.)
	Amount of backlog for non-energy projects associated with climate change mitigation	Presentation currency	IF-EN-410b.3	0
Business Ethics	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number, Presentation currency	IF-EN-510a.1	Not applicable
	Total amount of monetary losses due to charges of (1) bribery or corruption and (2) anti competitive practices	Presentation currency	IF-EN-510a.2	N/A
	Description of policies and practices for prevention of (1) bribery and corruption,	N/A	IF-EN-510a.3	Aligned to the Hayleys Group's Bribery and Anti-Corruption policy, which stipulates a zero tolerance for corruption
ACTIVITY METRIC				
Number of active projects (Group)		Number	IF-EN-000.A	28203
Number of commissioned projects		Number	IF-EN-000.B	14773
Total backlog		Presentation currency	IF-EN-000.C	Rs 10,812,000,000

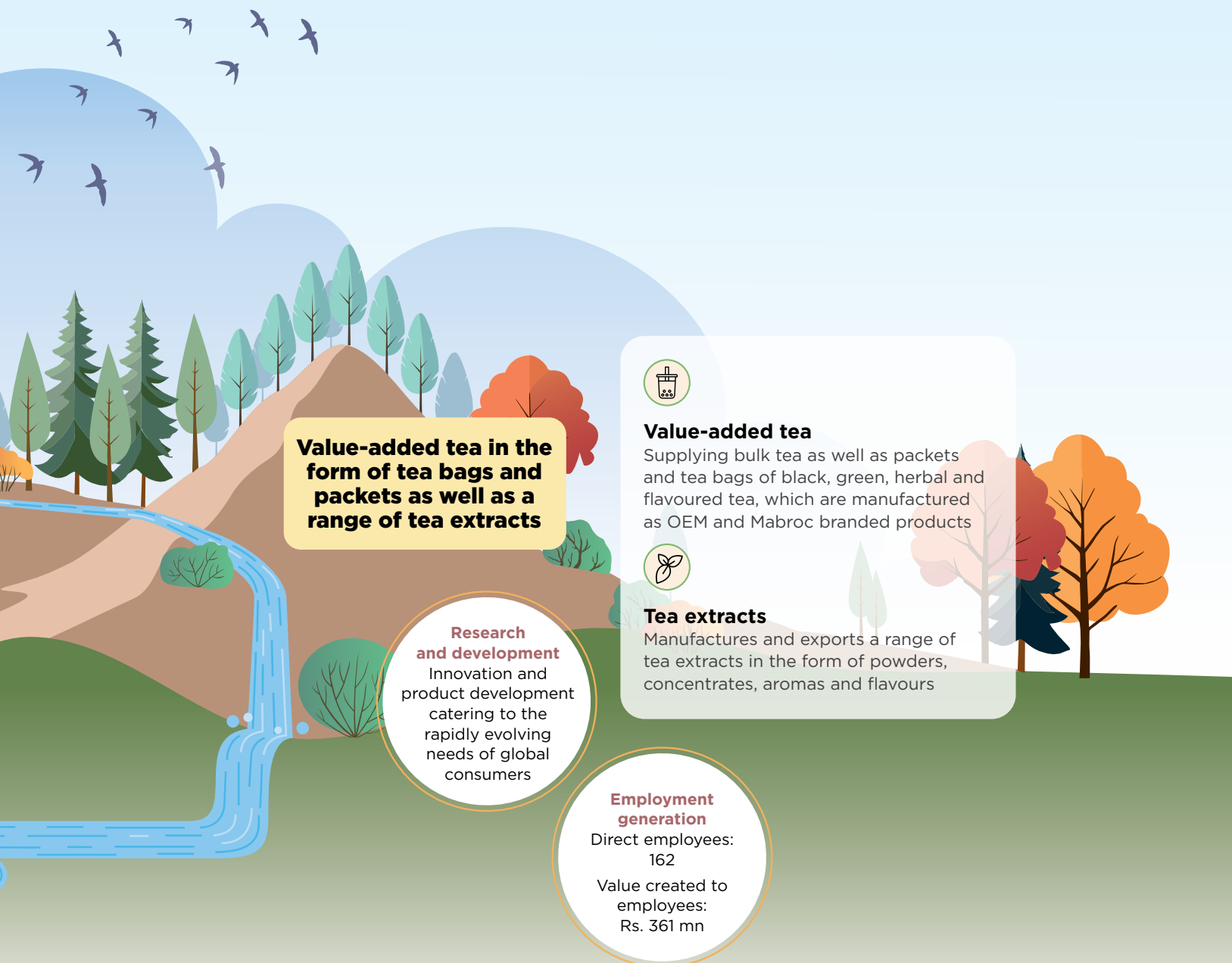


TEA EXPORTS

As one of Sri Lanka's largest value-added tea exporters, the Sector drives significant local value addition, taking Ceylon Tea to the world through extensive distribution networks and long-standing customer relationships. The Sector plays a vital role in expanding the global reach and popularity of Ceylon Tea which is critical for ensuring the longevity of the country's tea industry

TEA EXPORTS





Revenue	Profit Before Tax	Profit After Tax	Assets	Liabilities	Employees	Carbon footprint
Rs. 12.2 bn (-3%)	Rs. 824 mn (-41%)	Rs. 614 mn (-49%)	Rs. 4.64 bn (+3%)	Rs. 1.87 bn (-15%)	162 (+17%)	384 tCO ₂ e (+13%)

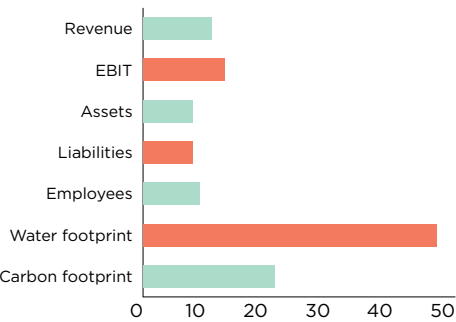
+ denotes y-o-y growth - denotes y-o-y decline

TEA EXPORTS

SECTOR OVERVIEW

The Group's Tea Exports Sector is represented by two entities; Mabroc Teas (Pvt) Ltd, one of Sri Lanka's leading value-added and bulk tea exporters and Martin Bauer Hayleys (Pvt) Ltd, an innovative manufacturer and exporter of Ceylon tea extract powders and tea aroma in the liquid and powder form. Both companies serve as export arms of the Group's plantation companies and create significant local value addition through sourcing bulk of their tea requirements from Hayleys Plantations. Martin Bauer Hayleys (Pvt) Ltd is a joint venture between Hayleys and global leader in botanicals, German-based Martin Bauer Group (MBG).

CONTRIBUTION TO GROUP %



MABROC (PVT) LTD

Exporter of value -added tea

Performance 2023/24
Revenue: (0.3%) decline
PBT: (34%) decline

MARTIN BAUER HAYLEYS (PVT) LTD

Manufacturer and exporter of tea extracts

Contribution to Sector
Share of profit of associates: Rs 167.20 mn

OPERATING ENVIRONMENT

The Sector experienced a challenging year during the year, mirroring the complexities faced by the country's plantation sector. Rising cost of tea amidst relatively low production volumes, the recent surge in fertilizer costs as well as high labour costs adversely impacted profitability margins. The country's tea crops continue to be affected by the shortage of labour and low yields which have resulted in sub-optimal production volumes. Meanwhile, exchange rate dynamics also remained unfavourable to exporters during the year given the sharp appreciation of the Sri Lankan Rupee for most part of the year. On the other hand, global demand for both value-added tea and tea extracts remain healthy, reflecting consumers' increasing tilt towards products that contribute to their health and well-being.

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector performed commendably in a challenging year, with Mabroc and Martin Bauer Hayleys delivering strong volume growth through new customer acquisitions and deeper penetration of existing customers. The latter also benefitted from increased local demand for 3 in 1 instant milk tea given the sharp increase in milk powder prices. Performance was however affected by unfavourable exchange rate dynamics which saw Revenue (representing Mabroc) declining by 3% to Rs. 12.20 bn. Profit contribution from Martin Bauer Hayleys (which is accounted for an equity accounted investee) also declined to 159.06% mn during the year due to the appreciation of the Sri Lankan Rupee. Overall the Sector's Profit Before Tax amounted to Rs. 823.65 mn, a decline of 41% compared to the previous year which was also buoyed by significant exchange gains.

COMPETITIVE POSITION

Mabroc's OEM and branded products as well as Martin Bauer's products are sold to **leading retailers and supermarket chains in over 71 countries** . Mabroc's products are also sold in over 20,000 retail outlets in the domestic market

The Sector is committed to maintaining the highest standards of quality and product responsibility as attested by **numerous Food Safety and Quality certifications**.

In value-added tea, the Sector has capabilities to **customise and skillfully blend teas** to supply e a range of packets and tea bags of black, green, herbal and flavoured tea. Martin Bauer Hayleys is the only Sri Lankan manufacturer with capabilities to manufacture tea

Mabroc Teas is **one of Sri Lanka's largest tea exporters** and the 3rd largest exporter of bulk tea. It is also the largest exporter of tea from Sri Lanka to China and Taiwan. Martin Bauer Hayleys (Pvt) Ltd is the leading exporter of Ceylon Tea aroma to the global market and one of Sri Lanka's largest exporters of instant tea

Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	H	- Adverse implications on international competitiveness and profitability margins
	Global geo political tensions	M	- Volatility in demand conditions and disruptions to shipping routes
Industry context	High cost of tea production in Sri Lanka	H	- Implications on international competitiveness and attractiveness of Ceylon Tea
	Intensifying global competition	M	- Intensifying price competition and implications on market share and profitability margins
	Relatively low labour productivity in estate sector	H	- Long term implications on crop volumes and ability to serve demand conditions
Sustainability context	Global recognition of tea as a beverage with significant health benefits	M	+ Growth opportunities in new market segments
	Escalating implications of climate change	M	- Impacts of erratic weather patterns on quantity and quality of crop

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

Geographical diversification remains a key priority for Mabroc and during the year the Company strengthened its position in Poland through an investment in one of the leading FMCG distribution companies expanding its product range and volumes to drive increased penetration across the country's leading supermarket chains. In diversifying its supply chains, Mabroc also entered Kenya during the year establishing a fully-fledged tea export company in Mombasa – Kenya. This is expected to strengthen the Company's competitive edge in the medium to long-term as it leverages on multi-origen tea blends and existing relationships in Europe to access new market segments. Meanwhile, Mabroc also strengthened its position in the domestic market, through successfully marketing the Talawakelle Supiri Kahata brand in the general and modern trade in Sri Lanka.

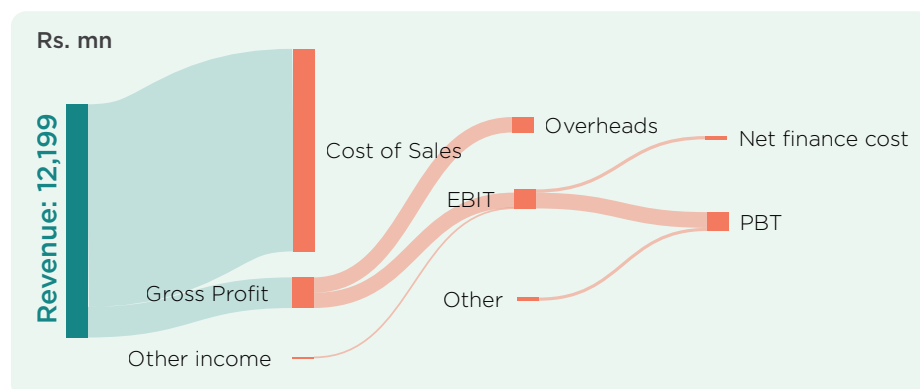
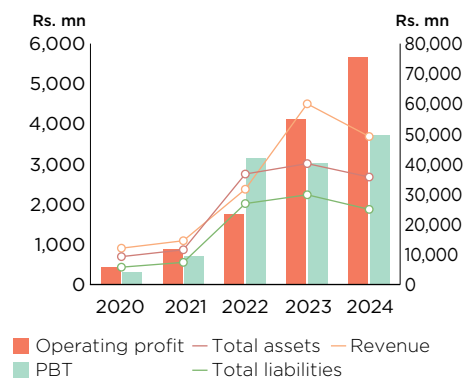
The Sector also continued to leverage its best-in-class research and development capabilities to widen its product offerings. During the year Mabroc sought to develop a range of herbal teas and is exploring opportunities of further expanding its fruit teas. Meanwhile Martin Bauer leveraged on the domain knowledge and global insights of the

Martin Bauer Group to further widen its portfolio of aroma and concentrations. Both companies also strengthened its product development and manufacturing capabilities during the year through investments in infrastructure and talent.

As part of the Hayleys Group, the Sector benefits from traceability up to field level through the procurement of tea from Hayleys Plantations which are pioneers and global leaders in industry sustainability. This partnership has enabled the Sector to strengthen its competitive edge through accessing single garden products which are

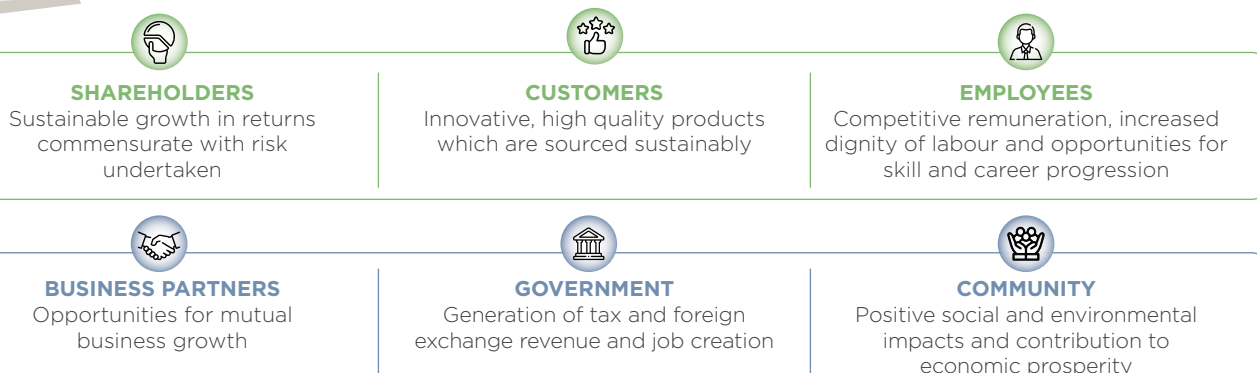
cultivated under stringent certification requirements, underpinned by strong social and environmental practices.

SECTOR FINANCIAL PERFORMANCE

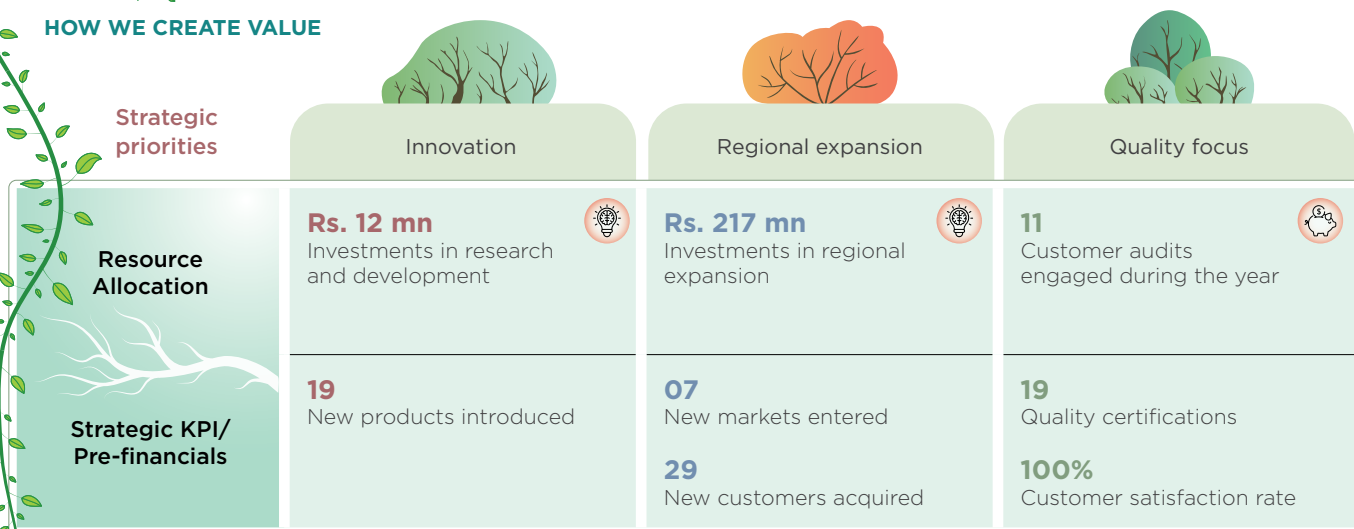


TEA EXPORTS

HOW WE DEFINE VALUE



HOW WE CREATE VALUE

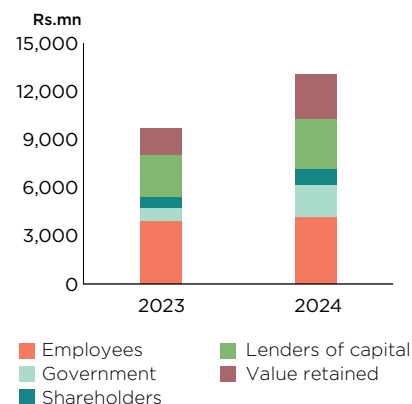


HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 22% reflecting the appreciation of the Sri Lankan Rupee
- Payments to employees Increased by 23% during the year
- Value generated to Governments amounted to Rs. 227 mn and 20% of the total value created
- Payments to lenders of capital Decrease by 43%
- Value retained in the business for future investment amounted to Rs 544 mn compared to Rs.518 mn the previous year



VALUE DISTRIBUTION



FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	12,199	12,624	(3)	7,806
Earnings Before Interest and Tax	829	1,330	(38)	1,011
Net Finance Income/(Cost)	(173)	44	(491)	(315)
Share of profit of equity accounted investees (net of tax)	167	381	(56)	47
Profit Before Tax	823	1,386	(41)	1,326
Profit After Tax	614	1,999	(49)	1,121
Assets	4,643	4,507	3	4,621
Liabilities	1,868	2,187	(15)	2,711
Operating Cash Flow	871	576	57	437
Performance against targets				
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.18	0.3	(29)	0.38
Water Intensity (Litres/Revenue Rs.mn)	362	1,328	(73)	518
Emmission Intensity (tCO2e/Revenue Rs.mn)	0.03	0.04	25	0.07
Revenue per Employee (Rs.mn)	39.1	91.48	18	57.82
Remuneration per Employee (Rs.mn)	2.23	2.12	5	2.10

ESG HIGHLIGHTS



Climate Action

In line with the carbon neutrality aspirations of the Martin Bauer Group, the Company commissioned a 1.5 MW solar plant during the year which is expected to fulfill around 30% of the energy requirement of the manufacturing facility. This was funded through a concessionary loan facility granted by Martin Bauer Group which is driving carbon reductions across over 30 locations in its global network.

- Mabroc also established a 245kW solar panel with inverter capacity of 245 kW

	2024	2023	% Y-o-y	Target
Mabroc- Carbon footprint (tCO2e)	384	442	-13	20% reduction
MBH-Carbon footprint (tCO2e)	3,907	N/A	N/A	N/A



PEOPLE DEVELOPMENT

Given increased challenges in employee attraction and retention, the Sector sought to build capabilities and nurture its talent pipelines through increased investments in training and development.

	2024	2023	% y-o-y
Training hours (hours)	1,451	1,341	8.2
Investment in training (Rs.mn)	2.31	0.9	156

COMMUNITY ENGAGEMENT

Multi-faceted CSR projects under the Mabroc Tea Without Tears project including tree planting campaigns, book donations and donations towards healthcare



WASTE MANAGEMENT

Mabroc teas has also initiated a pilot project in vegetable cultivation, utilising tea and food waste generation from its operations as organic fertilizer.



TEA EXPORTS

PROSPECTS AND PLANS

While global demand dynamics for value-added tea and extracts remains favourable, the Sector’s short-to-medium term outlook is somewhat clouded by the complexities in the country’s plantation sector. The tea sector is at a critical juncture at which transforming remuneration models, investing in replanting and pursuing sustainable agricultural practices is critical for long-term survival. The Sector’s short, medium and long-term risks and opportunities are summarised below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

Escalating local cost of production
Sri Lanka’s cost of production continues to be higher than competing producers due to low labour productivity and declining yields, which over the medium to long-term is likely to affect the country’s competitiveness in the international market

Response
Geographical diversification of raw material sourcing through international expansion

Increasing international competition
The competitiveness of Ceylon Tea in the international market is being threatened by the country’s rising cost of production and dwindling volumes amid intensifying competitive pressures from other producing nations such as Kenya

Response
Product innovation to develop value-added premium offerings

Exchange rate dynamics
The Sri Lankan Rupee is expected to appreciate further before stabilising towards the end of Calendar year 2024. This will adversely impact the international competitiveness and profitability margins of Sri Lankan tea exporters

Response
International expansion to limit exposure to a single currency

Rise of the health -conscious consumer
Consumers are increasingly tilting towards products that contribute to their well-being, given increasing focus

on healthy lifestyles. As a healthy beverage, tea is aptly positioned to benefit from these evolving customer requirements

Response
Strengthen promotions and market activations

Sustainability related risks and opportunities (SRRO)

Declining land productivity in tea sector

Limited investments in replanting and infilling have led to long-term decline in productivity of Sri Lanka’s tea lands, resulting in relatively lower yields

< 1 year	Limited impact in short-term
1-5 years	Further declines in yields and resultant escalation in cost of production is likely to affect Sri Lanka’s international competitiveness in the global market
>5 years	Commercial viability of Sri Lanka’s tea industry could be threatened significantly impacting growth and profitability of exporters
Response	Regional expansion and geographical diversification of supply chain

Physical climate-related risks of increasingly erratic weather patterns

Escalating implications of climate change have led to significant volatility in rainfall and precipitation levels as well as considerable fluctuations in temperature levels

< 1 year	Volatility in production levels and variations in quality
1-5 years	More pronounced impacts of volatile weather patterns, which will impact leaf quality, yields and prices
>5 years	If climate adaptation measures are not adopted, Sri Lanka’s tea industry could suffer significant challenges
Response	Geographical diversification of supply chains

Evolving requirements of buyers

Global customers are increasingly demanding responsible social and environmental practices along the entire value chain

< 1 year	Limited impact in the short-term
1-5 years	European customers are expected to strengthen due diligence along the value chain, given emerging regulations.
>5 years	global implementation of regulations driving ethical sourcing and traceability across value chains
Response	Ensure full supply chain transparency and traceability through partnership with Hayleys Plantation companies

ESG IN ACTION

The Sector is currently in the process of strengthening its ESG integration with Mabroc aligning to the aspirations of the Hayleys Lifecode while Martin Bauer Hayleys is guided by the sustainability aspirations of the Martin Bauer Group. The former is a Member of the United Nations Global Compact, partnering with KVPL to produce the world's 1st UNGC signatory tea brand and commit to the 10 principles. Meanwhile Martin Bauer Hayleys is aligned to the Martin Bauer Group's aspirations to achieve carbon neutrality by 2030, focusing on reducing its reliance on fossil fuel-based energy sources to achieve emission reductions. During the year Martin Bauer Hayleys also commenced tracking and reporting all material social and environmental performance indicators to the Hayleys CUBE- the Group's sustainability information portal.

In navigating these challenges, the Sector will focus on innovation to sharpen its competitive edge while accessing new markets and securing its supply chains through geographical diversification. Key priorities in the short, medium and long-term are as follows:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> • Increase market share in existing markets • Enhance production capacity through investments in manufacturing infrastructure • Development of Sector Sustainability/ESG roadmap • Upskilling human capital with focus on technical, R&D and leadership capabilities 	<ul style="list-style-type: none"> • Drive increased penetration in key markets such as China, Japan and Taiwan • Penetrate new markets and regions • Operating efficiencies through automation • Ongoing innovation and product development to cater to emerging customer requirements • Strengthen position in local market through expanding presence in retail outlets
Short-term goals Gross profit margin>12% ROE>20%	Medium-to-long term goals ROCE> 20% ROE>20%



OTHERS

The Others Sector comprises Hayleys Business International Solutions and Group Services of Hayleys PLC. HBSI engages in BPO operations and Shared Services specialising in providing a range of back-end services including accounting, payroll, digital marketing, data management and IT solutions among others. Hayleys Fentons, which was previously classified under the Others Sector is now presented separately as the 'Projects and Engineering' Sector given its increased contribution to the Group and wider socio-economic impacts. Sector financial and non-financial indicators have been adjusted to reflect this reclassification.

HBSI

Provider of BPO services and shared services within the Group

Contribution to Sector

Revenue: 27%

PBT: 13%

Performance 2023/24

Revenue: 13% growth

PBT: 4% decline

**HAYLEYS PLC**

Holding company

Contribution to Sector

Revenue: 24%

PBT: 68%

Performance 2023/24

Revenue: 2% growth

PBT: 23% decline

**SECTOR PERFORMANCE OVERVIEW**

The Others Sector's Revenue declined by 38% to Rs. 1.44 bn during the year, reflecting a reduction in dividends upstreaming to Hayleys PLC in line with the decreased profitability in certain key sectors. The decline in Profit Before Interest and Tax was, however contained at 8% while Net Finance Cost decreased marginally to Rs.4.39 bn due to the lower interest rate scenario that prevailed during the year. Total tax expenses increased by 49% due to upward revision in tax rates resulting in the Sector's Profit After Tax declining by 25% to Rs.1.94 bn during the year under review.

Rs.mn	2024	2023	% y-o-y	2022
Revenue	1,439	1,534	(6)	1,753
Earnings before interest and tax	6,728	7,198	(7)	5,830
Net finance income/(cost)	(4,389)	(4,418)		(1,854)
Profit before tax	2,380	2,824	(16)	4,043
Profit after tax	1,940	2,581	(25)	3,975
Assets	73,736	72,750	1	69,977
Liabilities	33,082	31,795	4	31,218
Operating cash flow	5,831	6,655	(12)	5,254
OPERATIONAL HIGHLIGHTS	2024	2023	% y-o-y	2022
ESG HIGHLIGHTS				
No. of employees	387	356	9	333
Energy consumption (GJ)	3,087	11,445	(73)	7,254
Energy intensity (GJ)	2.2	7.5	(71)	4.1
Carbon footprint (tCO ₂ e)	592	1,479	(60)	1,193
Carbon intensity (tCO ₂ e/Rs.mn)	0.4	1.0	(57)	0.7
Water consumption (m ³)	16,636	12,772	30	13,188
Water intensity (Litres/Rs.mn)	11,564	8,326	39	7,523

HAYLEYS PLC

With the reclassification of Hayleys Fentons, Hayleys PLC emerged as the most significant contributor to the Others Sector. Overall performance of Hayleys PLC eased in comparison to the previous year, reflecting a decline in dividends received as well as a considerable increase in tax payments. Dividend received during the year amounted to Rs.5.35 bn a decline of 8% compared to the previous year reflecting lower profitability in several key verticals, while administrative expenses increased by 7% led by higher staff costs. Resultantly the Company's Earnings Before Interest and Tax reduced by 8% to Rs.6.23 bn during the year. A near

42% increase in tax expenses, stemming from the upward revision in the tax rate as well as the claiming of brought forward tax losses in 2022/23, resulted in the Company's Profit After Tax declining by 30% to Rs.1.33 bn.

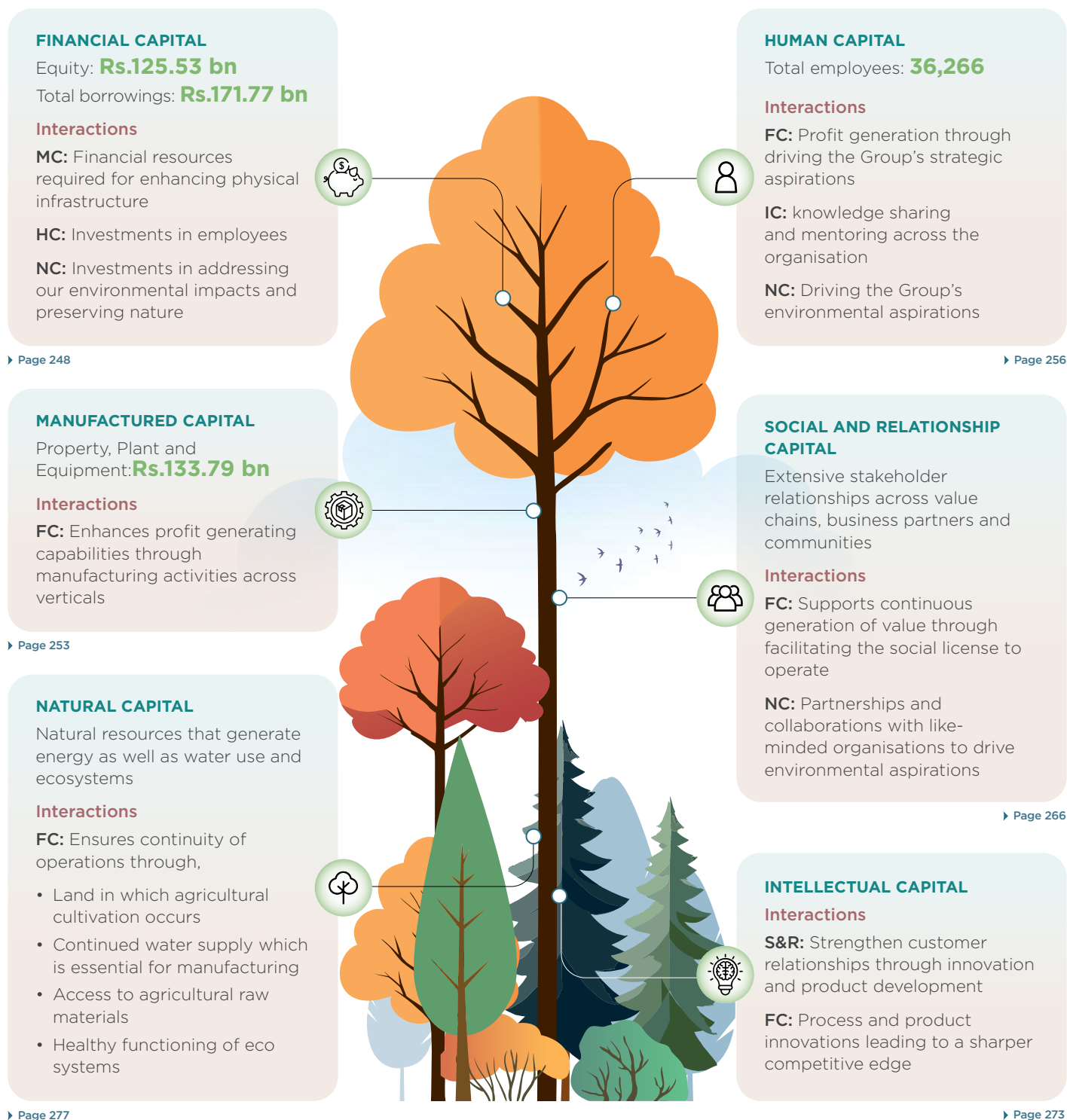
HAYLEYS BUSINESS SOLUTIONS INTERNATIONAL LTD

HBSI recorded strong top line growth of 13% during the year supported by broad-based expansion across all business verticals. Profitability, however, was adversely affected by the appreciation of the Sri Lankan Rupee, resulting in Profit-Before-Tax declining by 4% to Rs. 301.18 mn during the year. The BPO operations delivered strong growth

during the year, upheld by increased penetration in the Australian market and a wider service proposition with the addition of pharmacy accounting to the retinue of services offered. The Company also strengthened its position in web services and digital media solutions with a surge in demand from new and existing customers. The Company's unique operating model, which offers flexible and hybrid work arrangements continues to empower new mothers returning to work and this coupled with increased focus on training opportunities across both technical and soft skills has aided in the retention of employees amidst an industry-wide exodus of skilled migration.

CAPITAL MANAGEMENT

The Group's six capital resources (as defined in the IR Framework) interact and are transformed through the Group's strategy and processes to drive value creation, preservation and/or erosion. The interplay between these capitals typically necessitate trade-offs, which require decision-makers to give due consideration of quantity and time frame of impacts when allocating resources. The subsequent changes of this Report demonstrate how the Group relied on these resources and relationships during the year to generate outputs and long-term outcomes for stakeholders.



CAPITAL MANAGEMENT REVIEW

Sustaining our World

We remain committed towards generating and channeling growth and prosperity across our world of value – relying on the right mechanisms and processes to augment our resources and deliver positive outcomes from end to end.

Forests are an essential source of clean water and oxygen, delivering the very lifeblood that sustains ourselves and our surroundings. They serve as a natural pump – driving a cyclical process that creates the necessary conditions for sustainable growth, while using its capabilities to mitigate harmful impacts and create a purer, cleaner atmosphere in which we can thrive.

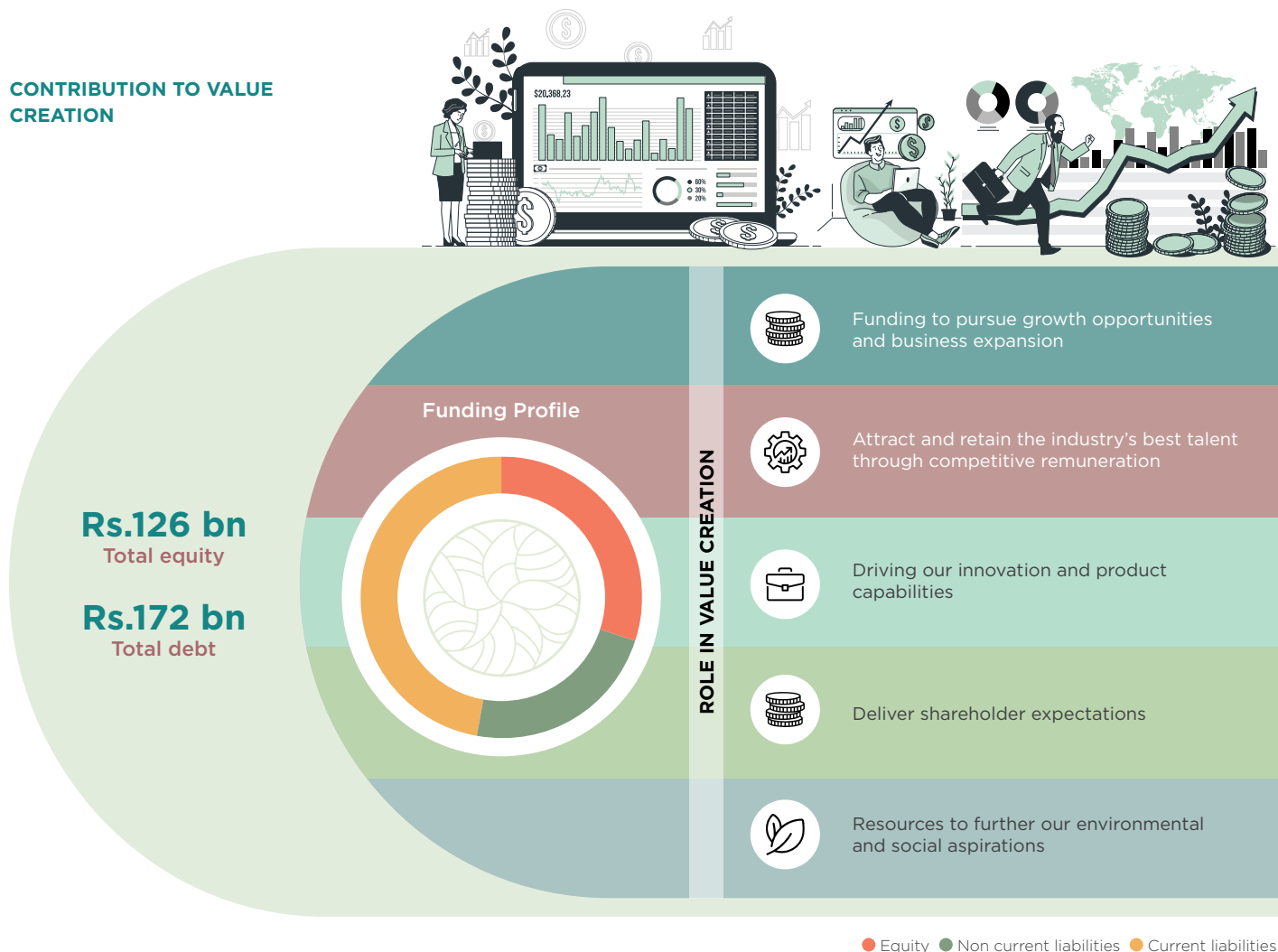




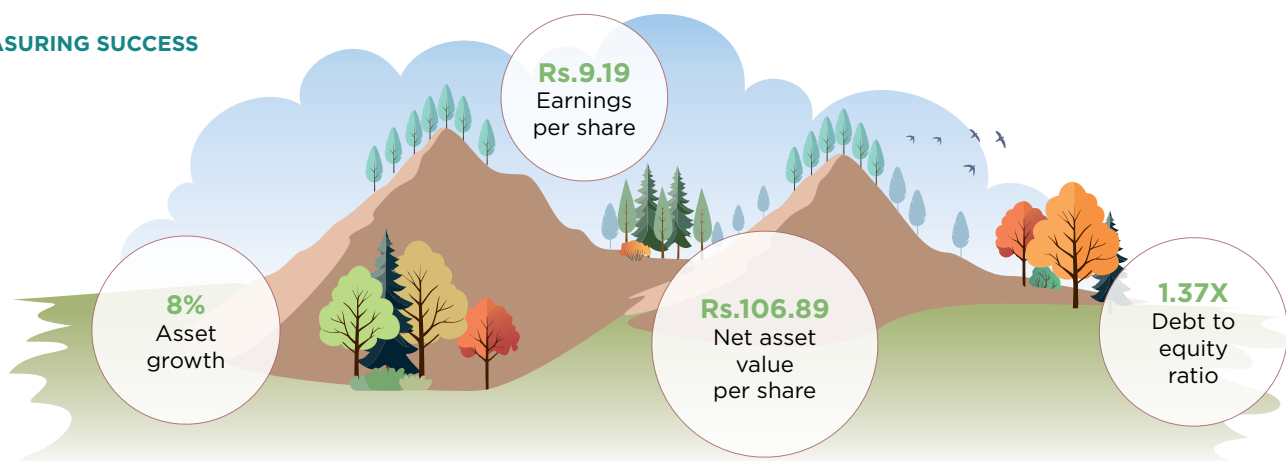
FINANCIAL CAPITAL

The Group's Financial Capital comprises the pool of funds available to the Group, which enables new investments and allows the sustenance of day-to-day operations. It includes equity funding, debt and retained earnings.

CONTRIBUTION TO VALUE CREATION



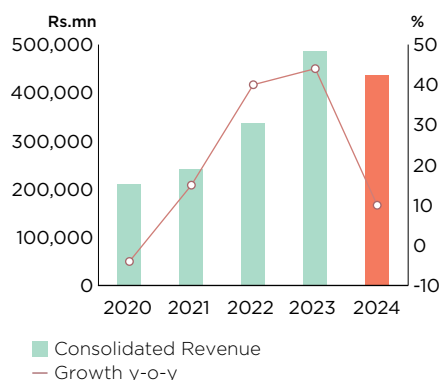
MEASURING SUCCESS



REVENUE

The Group leveraged the diversity of its businesses, geographies and markets to remain resilient in a year of volatility and unpredictability. Despite subdued global demand in key markets and the appreciation of the Sri Lankan Rupee during the year, the Group generated a Consolidated Revenue of Rs. 436.83 bn, curtailing the y-o-y decline to 10%. While the Group's export sectors recorded revenue contractions, this was somewhat countered by the strong top line growth of Projects & Engineering (+46%) and Consumer & Retail Sector (+28%). Resultantly, the Group's Revenue composition tilted increasingly towards the domestic market, accounting for 46% of Consolidated Revenue during the year, compared to 38% the year before. The Transportation & Logistics Sector maintained its position as the largest contributor to Consolidated Revenue with a share of 21% during the year, followed by Consumer & Retail (19%), Textiles (11%), Hand Protection (10%) and Purification (10%). Further information on the factors which shaped the performance of each Sector is detailed in the Portfolio Reviews from page 114 to 245.

REVENUE TRENDS



GROSS PROFIT

The Group's Gross Profit declined by 8% to Rs.109.43 bn during the year, reflecting the reduction in the top line. The Group's relentless focus on increasing contributions from value-added products across its verticals, together with ongoing focus on cost efficiencies and a deceleration of commodity prices enabled the Group to widen its gross profit margins to 25% from 24% the previous year. This is a creditable achievement given the escalation in operating costs and appreciation of the Sri Lankan Rupee

which affected the profitability of the export-oriented sectors.

OPERATING COST MANAGEMENT

Ongoing focus on operating efficiencies and lean management enabled the Group to contain the increase in operating costs to 12% during the year. Administrative Expenses (comprising primarily of staff costs) accounted for 78% of the Group's Operating Costs and increased by 14% during the year reflecting increased value creation to employees. Distribution expenses also increased by 12% reflecting promotions and market activations across key verticals. The Group's focus on optimising resource usage through integrating ESG as well as the anticipated rollout of the Group's digital transformation roadmap is expected to further enhance efficiencies over the mid to long-term.

OPERATING PROFITABILITY

The Group's Operating Profit/Earnings before Interest and Tax (EBIT) declined by 30% to Rs.42.72 bn during the year, reflecting the decrease in Revenue and the escalation in Operating Costs, which adversely impacted profitability margins. Subdued global demand and a stronger Rupee affected the profitability of key export sectors such as Transportation & Logistics (-57%), Purification (-21%) and Hand Protection (-7%). That said, these sectors continued to dominate the Group's earnings profile, with Transportation & Logistics, Purification and Textiles emerging as the most significant contributors to Consolidated EBIT. Projects & Engineering emerged as a significant contributor to core profitability, with EBIT increasing by 90% upheld by the impressive performance of its Renewable Energy cluster. Meanwhile, the Group's Consolidated EBIT margin narrowed from 12.5% to 9.8% during the year under review.

Sector	Revenue Growth (%)	Contribution (%)
Eco Solutions	-9	3
Hand Protection	-16	10
Purification	-29	10
Textiles	-18	11
Construction Materials	-2	2
Plantations	+13	4
Agriculture	+6	8
Consumer & Retail	+28	19
Leisure	+35	2
Industry inputs, Power & Energy	+12	2
Transportation & Logistics	-32	21
Projects & Engineering	+46	5
Tea Exports	-3	3
Others	-6	0

FINANCIAL CAPITAL

Sector	EBIT growth (%)	Contribution (%)
Eco Solutions	(84)	1
Hand Protection	(7)	8
Purification	(21)	14
Textiles	37	12
Construction Materials	(14)	2
Plantations	(27)	6
Agriculture	(47)	8
Consumer & Retail	(53)	7
Leisure	(53)	-1
Industry inputs, Power & Energy	(13)	4
Transportation & Logistics	(57)	14
Projects & Engineering	90	9
Tea Exports	(38)	2
Others	(7)	14

generator with a share of 19%, followed by Projects & Engineering (share of 14%), Hand Protection (share of 13%), Textiles (12%) and Plantations (11%). The Group's performance during a volatile and challenging year is testament to the diversity and resilience of its earnings profile as well as the strength of its market positions.

TAX

The Group's Tax Expense for the year amounted to Rs.10.49 bn, a reduction from the previous year owing to the moderation in profitability. That said, the Group's effective tax rate increased from 36% to 42% during the year, with the majority of companies being liable for tax under the higher 30% rate and withholding tax on dividend income and the impact of deferred tax.

PROFIT AFTER TAX

The Group generated a Profit After Tax of Rs.14.85 bn, a decrease of 46% compared to the previous year. At Company level, Hayleys PLC recorded a Profit After Tax of Rs. 1.33 bn, compared to Rs.1.90 bn the previous year. Although declining in comparison to the previous year, dividend upstreaming remained healthy at Rs.5.35 bn during the year.

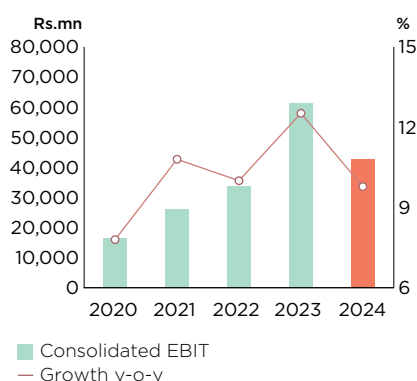
OTHER COMPREHENSIVE INCOME

The Group's Other Comprehensive Income for the year clocked in at a negative Rs.3.89 bn, driven primarily by net exchange differences on translation of foreign operations. As a result, the Group's Total Comprehensive Income amounted to Rs. 10.96 bn, a decline of 63% compared to the previous year.

TOTAL ASSETS

Despite the short-term vulnerabilities the Group remains optimistic about the growth potential of its businesses and markets and continued to invest in further diversifying its businesses and strengthening earnings generation capacity. Investments in several key sectors including Purification, Hand Protection, Transportation & Logistics

EARNINGS BEFORE INTEREST AND TAX



exchange gains of 2022/23 normalised during the year.

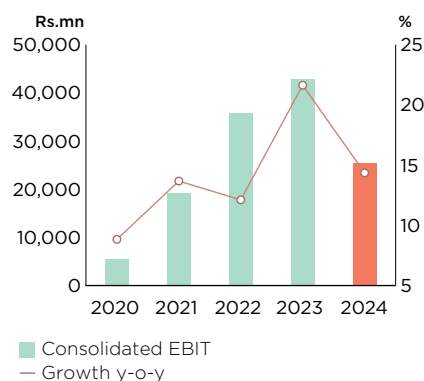
PROFIT BEFORE TAX

The Group generated a Consolidated Profit Before Tax of Rs. 25.34 bn during the year, declining by 41% compared to the record-high profitability of the previous year. The normalisation of profits represent the impacts of external headwinds on our export-oriented sectors and the still recovering conditions in local businesses. The Purification Sector emerged as the Group's largest profit

NET FINANCE COST

The Group's Net Finance Cost declined by 8% to Rs.17.24 bn during the year, with Finance Income decreasing at a faster pace than the Finance Cost. Despite an 8% increase in Total Borrowings, Finance Cost fell by 31% to Rs. 27.15 bn as interest rates fell sharply during the year. Finance Cost also included foreign exchange losses of Rs.5.14 bn stemming primarily from the appreciation of the Sri Lankan Rupee in the latter part of the financial year. Meanwhile, Finance Income declined to Rs.9.91 bn from Rs.20.72 bn the previous year as significant foreign

PROFIT BEFORE TAX



and Agriculture resulted in the Group's Property, Plant and Equipment increasing by 6% to Rs.133.79 bn, which resulted in Total Assets expanding by 8% to Rs.446.34 bn. Total Current Assets also increased by 10% to Rs. 261.62 bn, driven primarily by an increase in Trade and Other Receivables (+19%), in the Consumer & Retail and Projects & Engineering Sectors. The asset composition remained relatively unchanged during the year, with Current Assets accounting for 59% of Total Assets.

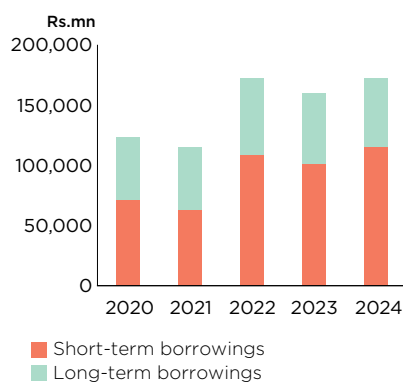
Key contributors to asset growth were Projects & Engineering (+157%), Consumer & Retail (+22%) and Construction Materials (+23%). Sector-level Asset growth and contribution to Assets is given below;

Sector	Asset growth (y-o-y) %	Contribution (%)
Eco Solutions	7	4
Hand Protection	(2)	7
Purification	(1)	8
Textiles	(11)	7
Construction Materials	23	3
Plantations	5	5
Agriculture	(1)	5
Consumer & Retail	+22	19
Leisure	0	4
Industry inputs, Power & Energy	+3	3
Transportation & Logistics	+6	15
Projects & Engineering	+157	5
Tea Exports	+3	1
Others	1	15

CAPITAL FUNDING

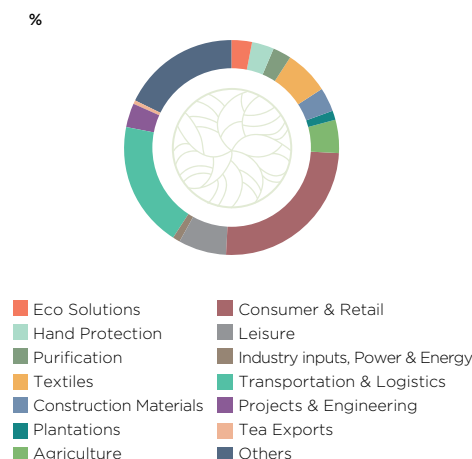
The Group's Financial Position is strong, as reflected by a relatively healthy funding profile and manageable debt coverage levels. Total Equity increased by 2% to Rs.125.53 bn during the year, funding 28% of the Group's Total Assets. Borrowings increased by 8% to Rs.171.88 bn, reflecting increased capital expenditure in the Transportation & Logistics

DEBT PROFILE



Sector and higher working capital requirements in the Consumer & Retail Sector. Borrowings funded 39% of the Group's assets during the year, with Consumer & Retail, Others and

BORROWINGS BY SECTOR



CASH FLOW AND LIQUIDITY

The Group's cashflow position mirrored the trends in its operating performance during the year and Net Cash Inflow from Operating Activities declined to Rs.30.43 bn from Rs.56.79 bn the year before. Meanwhile, Net Cash Outflow from Investing Activities amounted to Rs. 11.46 bn during the year, reflecting additions to Property, Plant and Equipment. Net Cash Outflow from Financing Activities amounted to Rs. 32.50 bn during the year, mainly due to debt and interest repayment as well as dividends paid to equity holders.

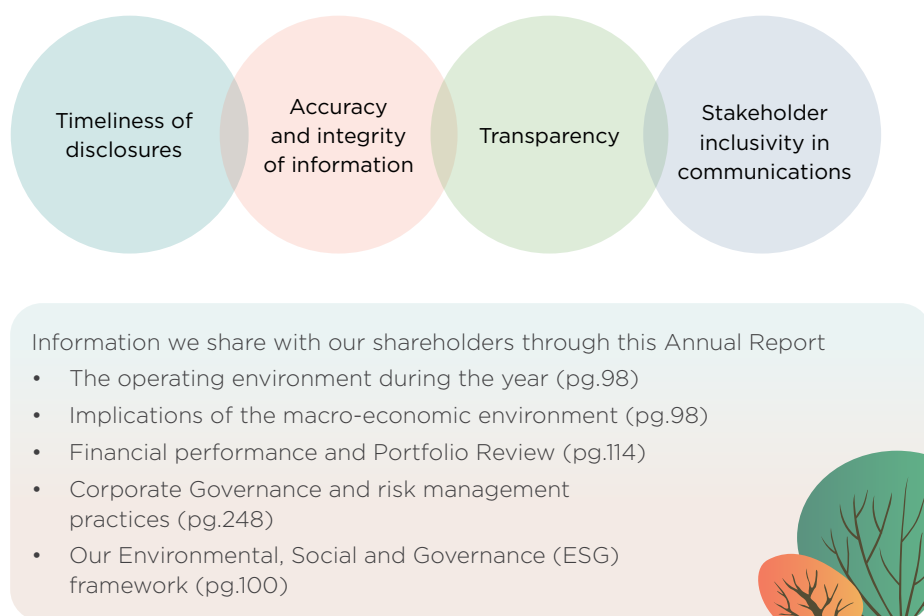
INVESTOR RELATIONS

Hayleys PLC is committed to maintaining transparent, constructive and ongoing dialogue with its shareholders, facilitated through multiple engagement platforms including the Annual General Meeting, the publication of the Annual Report, quarterly reporting to the CSE as well as periodic press releases and announcements. Through our engagement we seek to provide meaningful and relevant information to facilitate informed decision making.

Transportation & Logistics collectively accounting for 62% of the Group's debt. Given the decelerating interest rate scenario, the Group's borrowings profile tilted more to the short-term, with Short-Term Borrowings accounting for an increased 67% of Total Borrowings, compared to 63% the previous year. Overall, the Group's Debt/Equity ratio increased to 1.40X from 1.30X the previous year.

FINANCIAL CAPITAL

Principles of our Investor Relations



SHAREHOLDER RETURNS

Despite the moderation in performance, the Group continued to deliver on its shareholder commitments. Shareholder returns as measured by Earnings per share declined from Rs.21.80 to Rs.9.19 during the year, reflecting the moderating profitability. Meanwhile, Net Asset Value per share increased from Rs. 105.24 to Rs.106.88 depicting the growing value of the Group's non-monetised capital including innovation capabilities, deep rooted relationships with suppliers and communities, strong brand equity as well as our ability to attract the country's top talent.

Despite the moderation in profitability the Group paid a dividend of Rs.5.35 during the year, ensuring continued value creation to its shareholders.

PERFORMANCE OF THE COLOMBO STOCK EXCHANGE

The Colombo Stock Exchange recorded a mixed performance during the year, reflecting macro-economic and policy developments throughout the year. The All Share Price Index (ASPI) and S&P SL20 Index demonstrated positive momentum during the year, particularly following considerable progress in the domestic debt optimisation programme and the exclusion of the banking sector from the same. Accordingly, both ASPI and S&P SL20 indices grew by 24.9% and 15.7% respectively during the year 2023 while market capitalisation increased by 9.7% to close the year at Rs. 4,233.3 bn. Foreign participation in the domestic equity market through foreign purchases declined in comparison to the previous year.

Securities in Issue:

- Ordinary Shares
- Debentures
 - Listed, rated, senior, unsecured, redeemable debentures redeemable in August 2024

- Listed, Rated, Unsecured, Fixed, subordinated debentures redeemable in June, 2026
- Listed, Rated, Unsecured, Variable, subordinated debentures redeemable in June, 2026
- Listed, rated, senior, unsecured debentures redeemable in May 2025

This section of the Report provides information on Hayleys PLC's ordinary shares; please refer to page 408 for information on the debentures.

PERFORMANCE OF THE HAYLEYS SHARE

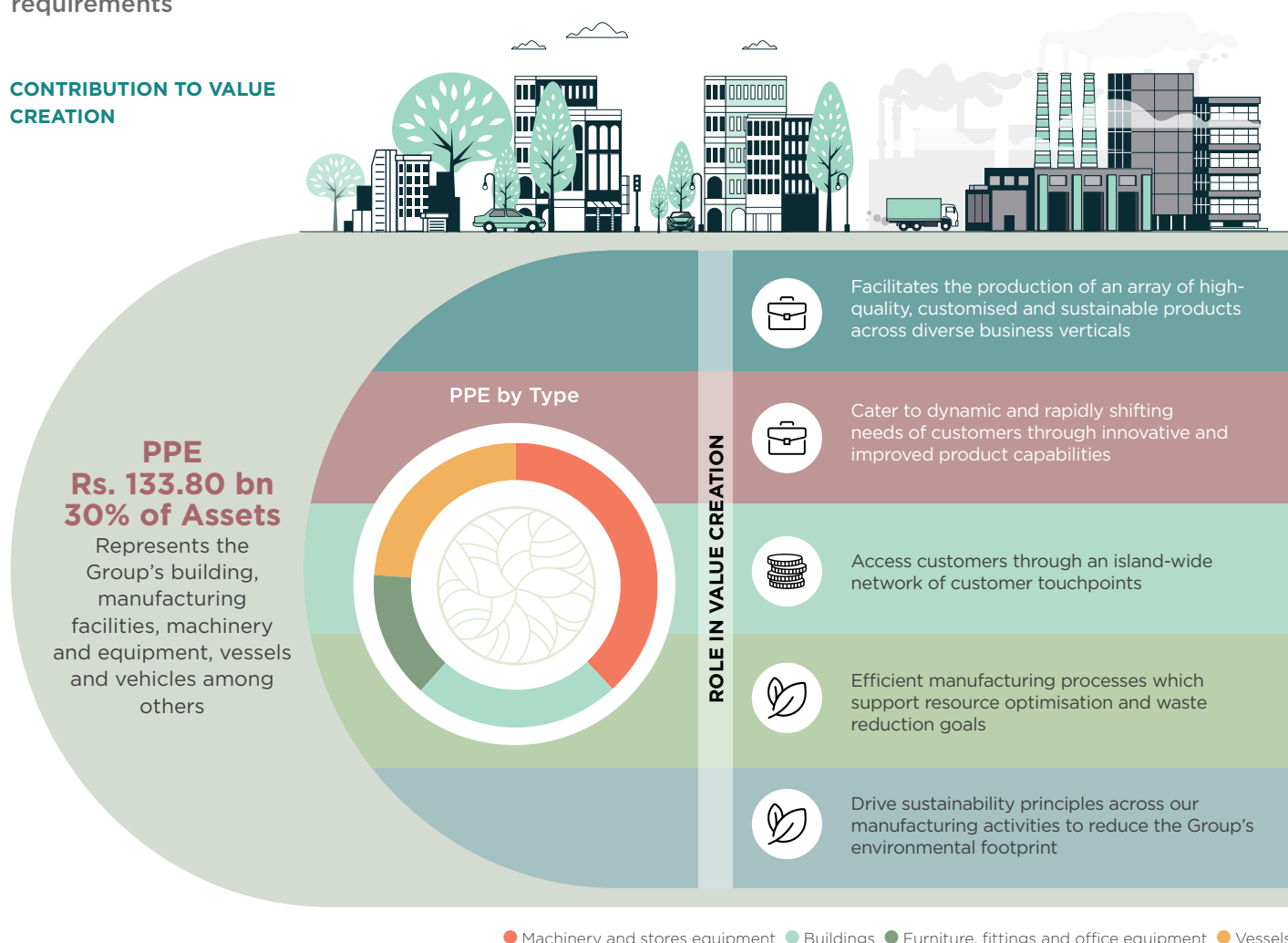
The Hayleys share performed relatively well during the year, appreciating gradually during the year to close the year at Rs.82.10, an increase of 13% from the beginning of the year. The share price traded between a low of Rs.65.60 and a high of Rs.97.90 during the year. The average volume traded amounted to 425,208 during the year while the daily average turnover clocked in at Rs.35.20 mn.



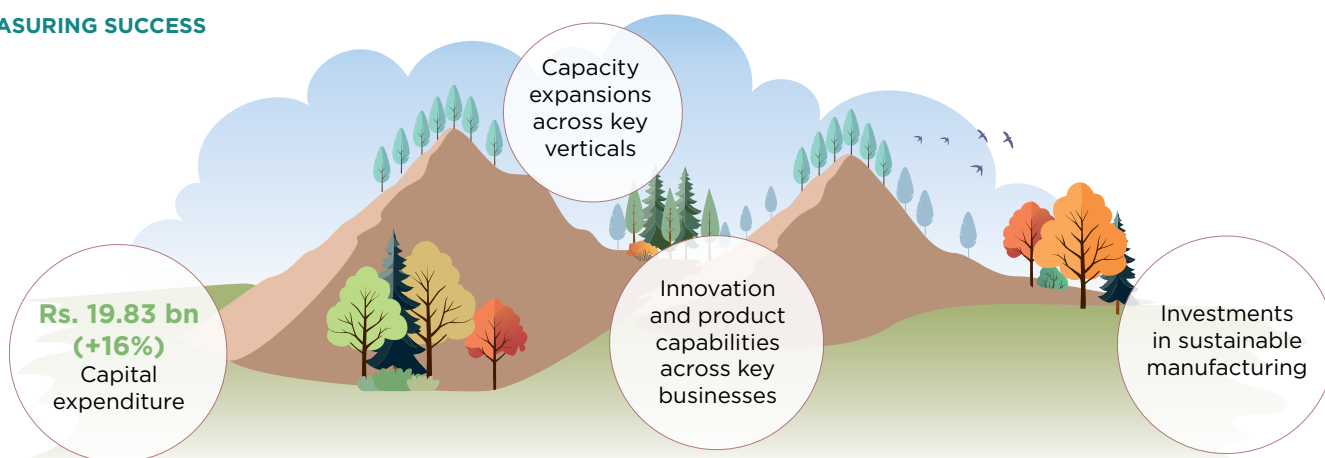
MANUFACTURED CAPITAL

With nearly 36% of the Group's Revenue derived from manufacturing operations, Manufactured Capital is a vital input in Hayleys' value creation process, enabling it to sharpen its competitive edge across key verticals through offering an array of world-class products catering to rapidly evolving customer requirements

CONTRIBUTION TO VALUE CREATION

















MEASURING SUCCESS



MANUFACTURED CAPITAL

MANUFACTURED CAPITAL INPUTS

The Group's extensive manufacturing footprint spans 92 facilities in Sri Lanka, Thailand, Indonesia, India and Bangladesh. Meanwhile, the Singer Group's 416-strong branch network is a critical element of its physical infrastructure, providing direct customer reach across the island. Please refer the note 13 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets. The Group's manufacturing footprint is summarised below:

 ECO SOLUTIONS Manufacturing of fibre-based products 8 manufacturing facilities in Sri Lanka 1 manufacturing facility in India Rs. 3.09 bn	 HAND PROTECTION Manufacturing a range of household, industrial and medical gloves 5 manufacturing facilities in Sri Lanka 1 manufacturing facility in Thailand Rs. 8.75 bn	 PURIFICATION Manufacturing coconut-shell based activated carbon 2 facilities in Sri Lanka 2 facilities in Indonesia 2 facilities in Thailand Rs. 6.69 bn
 TEXTILES Fabric knitting, dyeing, printing and brushing - cotton and polyester 3 manufacturing facilities in Sri Lanka Rs. 12.53 bn	 CONSTRUCTION MATERIALS Manufacture of Aluminium extrusions 2 manufacturing facilities in Sri Lanka Rs. 3.39 bn	 PLANTATIONS Manufacture of tea, rubber and tea extracts 55 estates Rs. 2.04 bn
 AGRICULTURE Manufacturing a range of agricultural produce 14 manufacturing facilities and plants in Sri Lanka Rs. 2.39 bn	 LEISURE Hotels and resorts 4 resort properties in Sri Lanka and Maldives 5-star city hotel Rs. 13.01 bn	 INDUSTRY INPUTS, POWER & ENERGY Industrial Inputs, Power & Energy 6 mini hydro plants 1 solar plant 3 wind-power plants Rs. 3.69 bn
 TRANSPORTATION & LOGISTICS Sri Lanka's largest mega distribution centre 21 Vessels Rs. 17.84 bn	 CONSUMER & RETAIL Manufacturing, financing and marketing consumer durables Island-wide network of 406 Singer outlets Rs. 3.78 bn	 PROJECTS & ENGINEERING Fentons inventory warehouse Rs. 2.48 bn
 TEA EXPORTS 2 manufacturing facilities in Sri Lanka Rs. 702.53 mn	 OTHERS Head office building Rs. 276.20 mn	

APPROACH TO MANAGING MANUFACTURED CAPITAL

During the year, the Group's approach to managing its Manufactured Capital centered on the following:

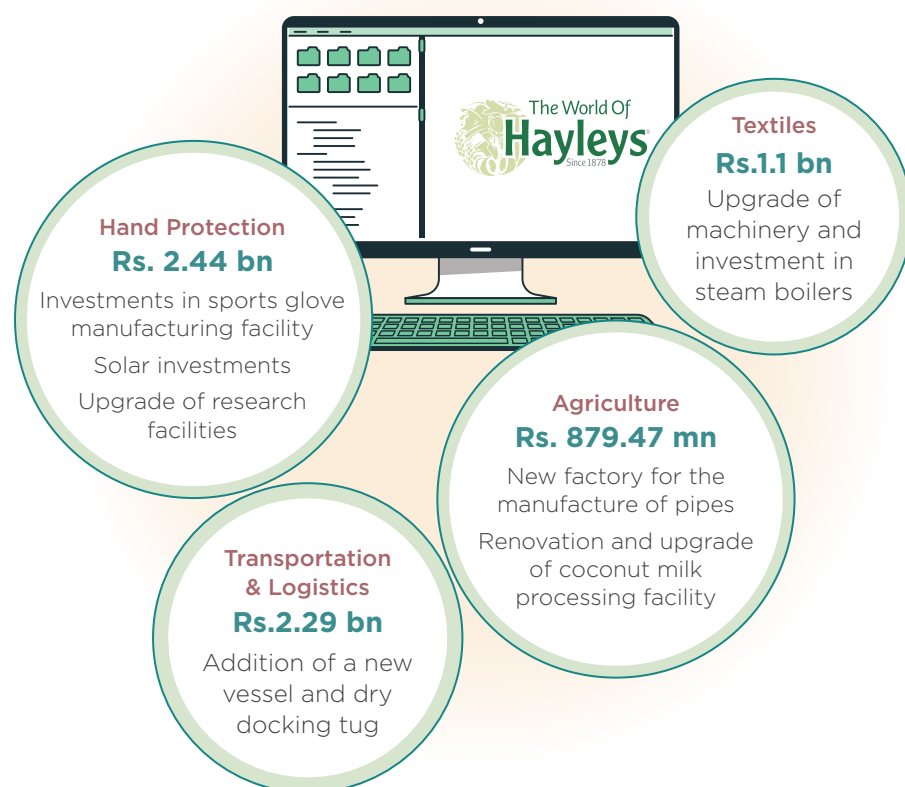
Sector	Volume growth (%)	Turnover/PPE ratio
Eco Solutions	26	1.9
Purification	(12)	3.9
Textiles	(1)	3.7
Construction Materials	23	2.1

Driving manufacturing efficiency

Our key manufacturing sectors have consistently sought to drive manufacturing and operational efficiencies through initiatives such as productivity maintenance, Lean and Six Sigma among others. These initiatives have enabled the Group to curtail costs while enhancing efficiency and reducing waste.

Sustainable manufacturing

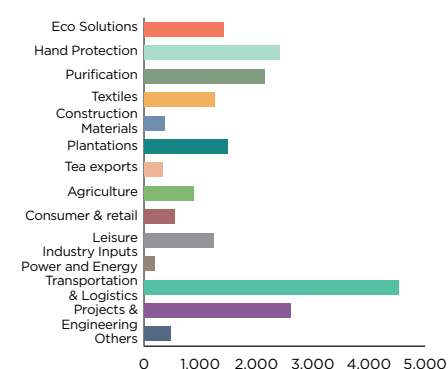
In line with the Group's environmental aspirations, several sectors have focused on introducing sustainable manufacturing methods which aim to reduce energy and water intensity while reducing costs and wastage. Details of these developments are available on pages 274 to 275 of this Annual Report.



Investing in the future

In line with its strategic focus on strengthening production capacities and product capabilities the Group continued to enhance its manufacturing footprint in businesses earmarked for strategic growth. Total additions to PPE for the year amounted to Rs. 17.34 bn reflecting improvements in technology, factory upgrades, new facilities and capacity enhancements.

CAPEX BY SECTOR



WAY FORWARD

- Geographical diversification of manufacturing capabilities
- Strengthening capabilities for manufacturing value-added products
- Increased focus on sustainable manufacturing methods

ADEQUACY OF MANUFACTURED CAPITAL FOR FUTURE PLANS

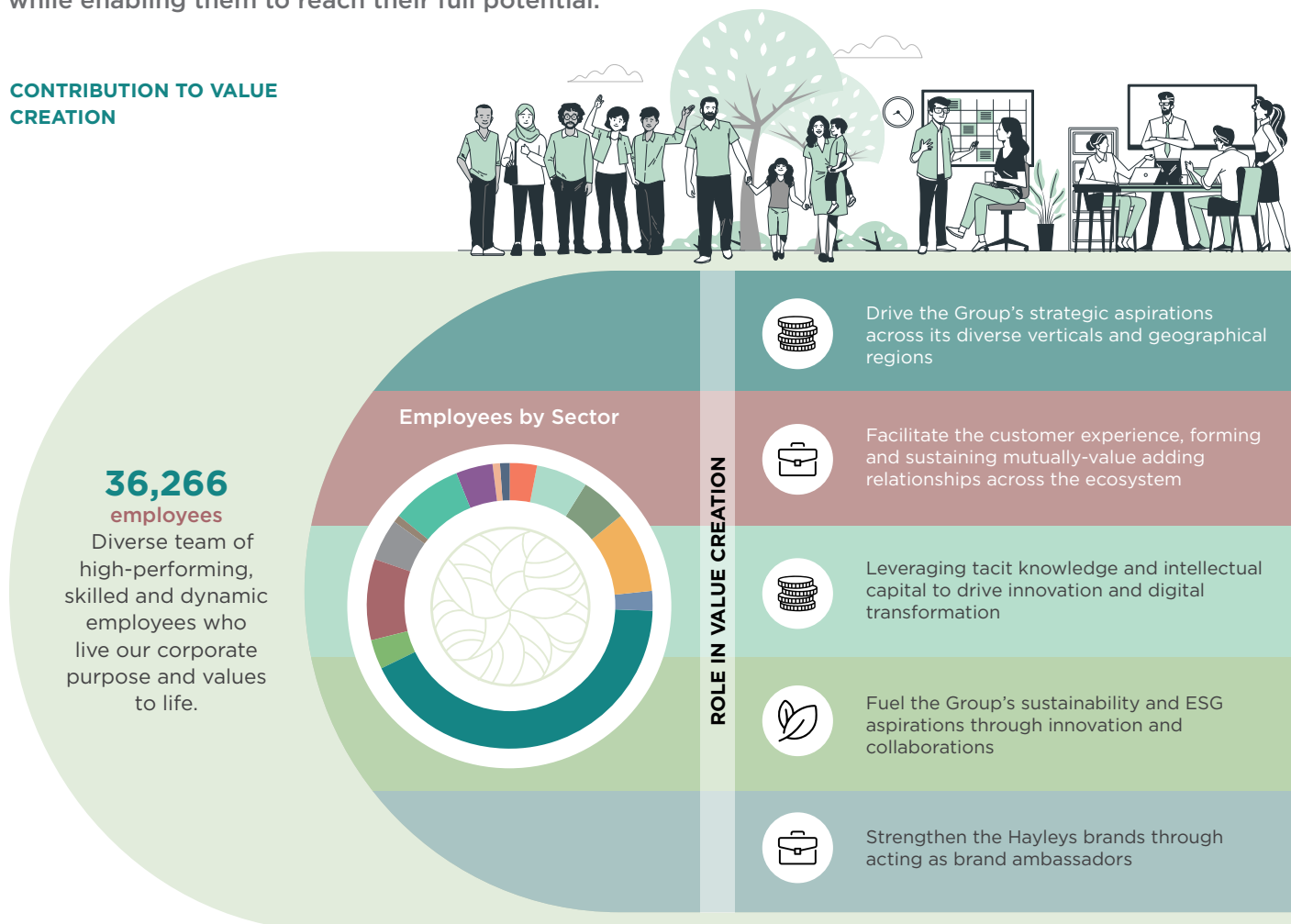
Having expanded capacity over the past few years, key manufacturing sectors of Hand Protection, Textiles and Construction Materials are aptly positioned to drive growth through increased capacity utilisation.



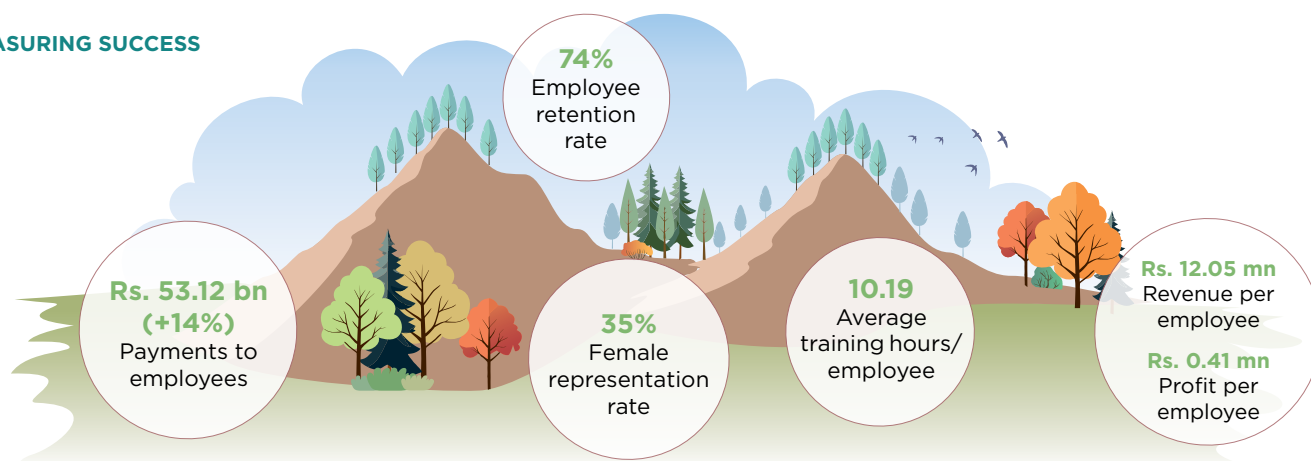
HUMAN CAPITAL

We understand that it is the people behind our businesses that create value, and drive innovation, differentiating us from the competition and ensuring that we remain resilient and sustainable in the long-term. In turn, we strive to create a work environment which values the unique differences of our people while enabling them to reach their full potential.

CONTRIBUTION TO VALUE CREATION



MEASURING SUCCESS



MANAGING TALENT

Hayleys is one of Sri Lanka's most sought-after private sector employers, and the Group's people-focused aspirations center on creating a conducive, supportive and inclusive environment where all employees feel heard, safe, connected and valued. Many Sectors within the Group operate their own Human Resource departments that are supported by specialist services offered by the Group's centralised HR function. The Group HR function plays a critical role driving the overall people strategy and ensuring adherence to group HR policies. The Group's HR policies and procedures comply with relevant legal and regulatory frameworks as well as several voluntary global benchmarks and standards, including the UN Global Compact Principles 1 to 6 and ILO Declaration.

HR policy framework

HR policy framework	
The Hayleys Way	Performance Management Policy
Disciplinary Policy	Anti-Sexual Harassment Policy
Grievance Handling Policy	Whistleblower Policy
Recruitment Policy	Human Rights Policy
Learning & Development Policy	Health and Safety Policy
Talent Management and Succession Planning Policy	Industrial Relations Policy
Personal Data Protection Policy	Bribery and Anti-Corruption Policy

Hayleys Lifecode Goals 2030

HEALTH AND SAFETY

Safest workplace with zero workplace injuries/occupational diseases

LEADERSHIP & SUPERVISORY DEVELOPMENT

10,000 man hours of leadership and supervisory development

ENGAGED TEAM

5% attrition rate across the Group
2% new hire attrition rate cross entire Group

PERFORMANCE-DRIVEN CULTURE

100% employees to receive performance appraisals

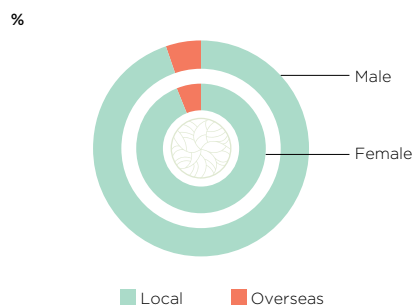
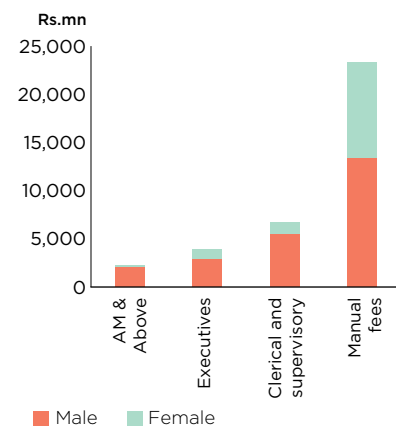


TEAM PROFILE

The Hayleys team is represented by our 36,266-strong workforce, who operate in 18 countries across the world. The increase in the Group's team compared to the previous year is largely driven by the addition of 3,455 employees from Horana Plantations PLC, which was acquired during the year. The country's sharp economic downturn in 2022 fuelled the exodus of skilled professionals from the country, resulting in organisations facing acute challenges in attracting and retaining the right talent. Resultantly, the Group's retention rate declined to 75%, compared to 80% the previous year.

	2024	2023	2022
Total employees	36,266	31,483	32,840
Permanent	29,058	26,085	26,569
Contract	6,378	4,759	5,552
Casual	830	645	719
Female employees (%)	35	34	35
New recruits	9,635	4,891	5,739

HUMAN CAPITAL


EMPLOYEES BY GENDER AND REGION

EMPLOYEES BY GENDER AND CATEGORY


Profile of new recruits

By Gender	No/Rate	By Age	No/Rate	By Region	No/Rate
Male	6,522 (68%)	Less than 30 years	5,392 (56%)	Sri Lanka	9,270 (96%)
Female	3,133 (32%)	30-49 years	3,214 (33%)	Overseas	365 (4%)
		>50 years	1,029 (11%)		
Total	9,635		9,635		9,635

Profile of exit employees

By Gender	No/Rate	By Age	No/Rate	By Region	No/Rate
Male	5,651 (65%)	Less than 30 years	3,351 (38%)	Sri Lanka	8,435 (96%)
Female	3,102 (35%)	30-49 years	3,249 (37%)	Overseas	318 (4%)
		>50 years	2,153 (25%)		
Total	8,753		8,753		8,753

Sector Composition

Sector	Total employees	New recruits by Sector	Exit employees by Sector
Eco Solutions	1,119		
Hand Protection	2,171		
Purification	1,933		
Textiles	3,285		
Construction Materials	774		
Plantations	15,360		
Agriculture	1,247		
Consumer & Retail	3,316		
Leisure	1,660		
Industry Inputs, Power & Energy	311		
Transportation & Logistics	2,899		
Projects & Engineering	1,492		
Tea Exports	312		
Others	387		

EMERGING TRENDS IN HUMAN CAPITAL MANAGEMENT

Global trends that are shaping workplaces and employee aspirations are compelling organisations to navigate new levels of uncertainty, underscoring the need to maintain agile and adaptable people strategies. These dynamics include the following:



PEOPLE STRATEGY IN 2023/24

The Group's people strategy for the year was developed taking into consideration the changing aspirations of employees and the emerging dynamics shaping the world of work. Centering on an equitable approach, the strategy for the year was founded on creating long-term value for employees through equipping them with stronger skills enabling greater employability, opportunities for advancement and increased sense of belonging. Key pillars of the people strategy are illustrated below:

Developing capabilities	Employee well-being	Inclusive culture	Digital transformation
Building the Group's next generation of leaders through the Management and Leadership Development Programmes	Fostering physical, mental and emotional well-being of employees and helping them to thrive	Enhancing the dialogue around diversity and inclusion and find collaborative means in addressing prevalent issues	Improve efficiency of HR processes through digitalisation and automation
Human capital allocations and developments in 2023/24			
Tailor-made programmes carried out across Sectors of the Group 134 Total employees trained under Management Leadership Development Programmes 45,057 Leadership development training hours	Year-round calendar of well-being activities and interventions carried out focusing on health awareness, nutrition and women's well-being among others 480 Total participants	Formulation of Group-wide DEI training programme which will be rolled out across the Group through a train the trainer model ensuring continuity and sustenance. Launch of family-friendly leave, mental wellness and childcare benefits.	Ease of user access through HR administration kiosks Improved efficiencies through the automated HR Help Desk Investments in digitalisation and automation including the HRIS Increased accuracy and eliminating human error through digitalization and automation of processes

HUMAN CAPITAL

Developing capabilities

Employee capabilities are developed through a blended approach of a multitude of structured programmes, workshops, coaching, digital learning and on-the-job training. With leadership traits significantly influencing organisational culture and determining employee mindsets, the Group prioritised the development of leadership capabilities. This was actioned through customised Management and Leadership Development Programmes as well as the Hayleys Management Trainee programme, 'FYOUTURE CEO'.

Our Management and Leadership Development Programmes are holistic, multi-faceted development interventions which are customised and offered to sectors covering all tiers of leadership. The programmes aim to build the Group's next generation of leaders, equipping them with the capabilities to lead in different operating environments and build succession pipelines. They included project-based assessments, in which participants were required to propose actionable projects which accrued financial benefit to their respective sectors.

COACHING SESSIONS

- Built in coaching sessions for maximum optimisation of development
- Direct coaching (consultant to participants)
- Indirect coaching (Participants to internal teams)

MANAGING PEOPLE AND EMOTIONAL INTELLIGENCE

- Management of practical applications in difficult conversations, Emotional
- Intelligence when handling teams and changing landscapes



LEADERSHIP FINANCE

Understanding the financial impact of all decisions, singularly and collectively

ENTREPRENEURIAL THINKING

Owning the business, developing markets and solutions from an entrepreneurial perspective.

LEADERSHIP AND PRODUCTIVITY

Accountability, results orientation, time management and productivity on a personal and departmental level

The Hayleys Group's Management Trainee Programme, branded as 'FYOUTURE CEO', is amongst the country's most sought-after programmes of its kind, drawing significant interest from aspiring young professionals from diverse backgrounds. During the year, the Group received over 4200 applications, which were initially screened through an automated platform. Thereafter, shortlisted applicants were assessed through a series of comprehensive, multi-pronged tests comprising cognitive tests, assessment centres and psychometric tools.

OTHER TRAINING INTERVENTIONS

Total training hours	2024	2023	2022
Total training hours	369,589	265,877	248,649
Investment in training (Rs.mn)	183	186	69
Average training hours (by category)			
Managerial	13.51	15.31	35.0
Executive and Junior Executive	12.51	16.18	10.2
Others	9.66	6.87	5.1
Average training hours (by gender)			
Male	9.82	8.99	7.6
Female	10.88	7.40	7.1
Average training hours/employee	10.19	8.45	7.6

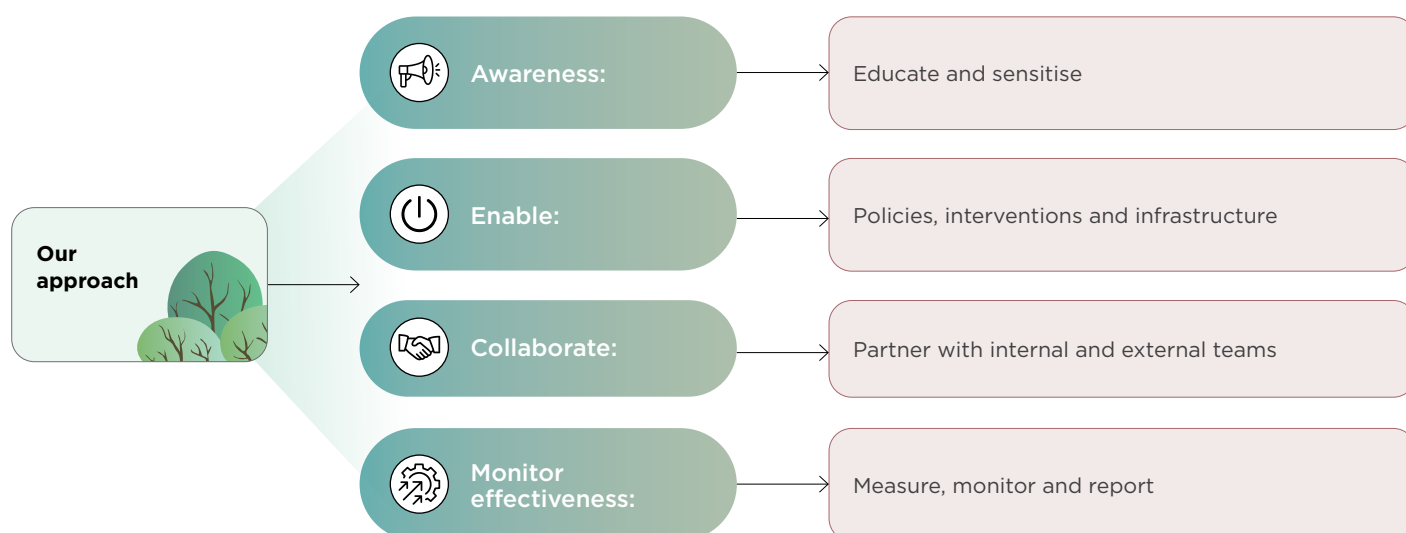
FYOUTURE CEO

Hayleys Management Trainee Programme

- Visits to operating locations across sectors
- C-suite level mentors assigned to each MT
- Core project within allocated Sector
- Cross-sector exposures with mini-projects
- Competency Development through multiple learning interventions
- Direct engagements with Senior Leadership

Diversity, Equity and Inclusion






Strategic focus was placed on enhancing the dialogue around diversity, equity and inclusion, enabling the Group to identify pressure points and find collaborative means to address these challenges. During the year, we also engaged with the UNGC's questionnaire on Women's Empowerment Principles to identify gaps through a quantification of our gender equality commitment



HUMAN CAPITAL

GENDER INCLUSIVITY AND EMPOWERING WOMEN

We are committed to improving gender diversity across all levels of the organisation and building diverse leadership teams. Our commitment to gender inclusivity is embedded through our HR policies and processes from recruitment and training opportunities to remuneration and promotions.

Enabling policy environment	Opportunities for women	Career and skill development
<div>ENABLING POLICY ENVIRONMENT</div> <div>RECRUITMENT POLICY</div> <div>“Equal opportunity employer providing a workplace free from gender and racial discrimination”</div> <div>ANTI SEXUAL HARASSMENT POLICY</div> <div>Commitment to creating a healthy, inclusive work environment that enables employees to work without fear of sexual harassment</div> <div>REMUNERATION POLICY</div> <div>1:1 Remuneration ratio between men and women</div> <div>Our policy ensures that employees doing similar jobs at the same level are paid equitably, irrespective of gender</div> <div>GRIEVANCE HANDLING POLICY</div> <div>The policy provides a structured framework for complainants and complaint recipients on lodging and resolving a grievance</div>	<div>Female recruits</div> <div><div>2022</div><div><div></div></div><div>1,503</div></div> <div><div>2023</div><div><div></div></div><div>1,404</div></div> <div><div>2024</div><div><div></div></div><div>3,113</div></div> <div>Female representation across categories</div> <div><div></div><div>9%</div><div>Board of Directors</div></div> <div><div></div><div>13%</div><div>AM and above</div></div> <div><div></div><div>27%</div><div>Executives</div></div> <div><div></div><div>19%</div><div>Clerical and supervisory</div></div> <div><div></div><div>43%</div><div>Manual</div></div>	<div>Female training hours</div> <div><div>2023</div><div><div></div></div><div>75,759</div></div> <div><div>2024</div><div><div></div></div><div>105,652</div></div> <div>Return to work after maternity leave</div> <div><div>273</div><div>Total number of employees that took parental leave</div></div> <div><div>203</div><div>Employees who returned to work after maternity leave</div></div> <div><div>74%</div><div>Return to work ratio</div></div> <div><div>14</div><div>Employees who resigned within 12 months</div></div>
Interventions		
<div>PLANTATION SECTOR</div> <div>Womb-to-tomb proposition for plantation workers, with females receiving comprehensive nutritional, healthcare and childcare support</div>	<div>LAUNCH OF MOMENTUM</div> <div>Promoting positive parenting and parental health</div> <div>Paternity leave</div> <div>Benefit towards childcare support</div>	<div>INTERNATIONAL WOMEN'S DAY</div> <div>Panel discussion featuring several female leaders in the Group</div> <div>Celebration of Women in Science in selected sectors</div>

Well-being

We understand the importance of rethinking workplace well-being through a lens of emotional and mental health, in addition to the conventional focus on physical health. Positive outcomes such as motivation and engagement are correlated with feeling supported and included at workplaces which promote work-life balance and freedom from overwhelming workloads. In addition to regular medical camps, free Zumba and yoga sessions, gym and pool memberships several awareness sessions were held across the Group primarily covering the following areas:

- Substance abuse and addiction prevention
- Relaxation techniques for daily life
- Dietary awareness for a healthy life
- Breast cancer awareness
- HIV awareness
- Women's wellbeing for a sustainable tomorrow

EMPLOYEE ENGAGEMENT

Formal and informal communication platforms, an open-door policy and regular employee satisfaction surveys ensure that employees feel heard and understood. Meanwhile, a year-round activity calendar which includes sports events, cultural events and family engagements aids in improving morale, building camaraderie and team spirit and nurturing a more conducive work environment. Key engagement activities during the year are listed below:

Internal communications Quarterly CONNECT magazine and employee broadcast conducted through Office 365 platform	Cultural, sports and other events The Group conducted a year-round activity calendar which included the following events; Art Competition for employees and children Hayleys Cricket 6's Tournament Hayleys swimming meet and other sporting events Family Fun Day Children's party Quiz competitions Karaoke competitions Multi-religious and other cultural ceremonies
Satisfaction surveys Most Sectors conduct internal and/or third-party facilitated employee satisfaction surveys	
Social media engagement A variety of activities such as competitions and knowledge sharing to enhance engagement of internal teams through social media platforms.	
Mercantile sporting events	

PERFORMANCE MANAGEMENT

The Group's performance management framework is designed to encourage superior performance through regular, fair and constructive performance-related feedback that drive personal growth, competency development and business contribution. The performance management process from goal setting to mid and year-end reviews for all employees in executive and above categories are conducted through the HRIS. Appraisals for all non-executive employees are conducted offline. Approximately 99% of our permanent employees undergo annual performance appraisals.

PERFORMANCE MANAGEMENT PROCESS

- 1 Individual employees set annual objectives aligned to the relevant business/department strategy, which are reviewed and approved by the relevant manager
- 2 Mid-year performance review where progress against expectations and deliverables are discussed
- 3 Year-end performance review where final performance rating is confirmed subsequent to a Company wide calibration process

SAFEGUARDING OUR EMPLOYEES

We work consistently towards creating an environment which is safe for our employees, contractors and customers. The Group's Health and Safety policy sets the foundation for this commitment and is strengthened across all Sectors through compliance to safety certifications, incident reporting and stringent procedures. During the year, Sectors improved the scope of reporting for health and safety indicators, which has led to a considerable increase in the cases reported and occupational injuries.

HUMAN CAPITAL

	2024	2023	2022
Reported first-aid cases	390	147	236
Occupational injuries- resulting in lost days	164	66	73
Lost man days due to accidents/injuries	902	1,076	1,834

H&S MANAGEMENT SYSTEM

- H&S champions in multiple Sectors
- Compliance with all relevant regulations under the Factories Ordinance, BOI requirements and Labour Laws of Sri Lanka.
- Several sectors including Hand Protection, Construction Textile, Transportation & Logistics and Projects & Engineering also comply with the ISO 45000: 2018 OHS Management system certification

H&S SERVICES

- Availability of OHS persons and visual communication
- Emergency vehicles at sites, medical centres, dedicated nurses/medical representatives at facilities etc.
- Fully qualified in-house nurse and employees are provided access to a doctor



H&S MANAGEMENT SYSTEM

- Each Sector (particularly in the Manufacturing Sectors) operates dedicated OHS management departments, which are powered by qualified safety professionals.
- Hazard identification is also enabled by risk assessments relating to ISO 45000: 2018. Meanwhile digital OHS management systems are available in the Hand Protection Sector, which allows real-time, online reporting of accident/incidents.

CULTURE

- Ongoing safety trainings to all employees based on the specific OHS risks faced by the Sectors
- Selected Sectors such as Transportation & Logistics have also embedded OHS related KPIs into employee performance evaluations to ensure the nurturing of a safety conscious culture.

HUMAN RIGHTS

In addition to the adherence of relevant regulations, Hayleys has also committed to the UNGC's Principles on Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

- The **Group's Human Rights Policy and Code of Conduct**- the Hayleys Way recognises the right of all employees to have a respectful workplace free of any form of harassment

- **Working hours and wages**- Hayleys complies with relevant minimum wage legislations and our competitive compensation reflects adjustments to living expenses and benchmarks against peer companies. We also comply with all applicable laws relating to overtime payments, hours and breaks.
- **Freedom of association and collective bargaining**- We recognise employees' right to association and collective bargaining and approximately

Sector	% of employees covered
Plantations	7%
Purification	35%
Hand Protection	38%
Agriculture	13%
Eco Solutions	20%
Consumer & Retail	32%
Textiles	28%

14% of the Group's employees are covered by Collective Agreements. We have not identified any operations in which the right to freedom of association and collective bargaining may be at risk. Minimum notice periods vary depending on the sector and circumstances, but relevant collective agreements ensure that a reasonable notice period is given for operational changes. During the year, Group and Sector HR teams maintained cordial relationships with all trade unions and there were no disruptions to operations due to industrial action.

- **Child labour** – Hayleys opposes child labour, does not employ any person under the age of 18, and works with business partners to ensure that zero instances of child labour are recorded in the supply chain as defined by national laws
- **Addressing workplace concerns** – Employees and third parties are encouraged to raise questions or concerns relating to misconduct, human rights, labour practices and other issues

Rs. 53.12 bn
(+14%)

Payments to employees

Rs. 1.5 mn

Remuneration/employee Revenue

Rewards and Compensation

The Group's reward schemes include an array of market-competitive benefits that enable us to attract, motivate and retain employees. The Remuneration policy ensures a consistent approach across Group companies, while factoring in industry-specific dynamics and regulations.

Our benefits include components that are applicable across the Group as well as non-core benefits which are applicable to selected Sectors or employee groups. Group-wide benefits include medical and life insurance, fuel allowances, subscriptions and study assistance (for selected categories), Group discounts for Hayleys products, funeral funds and retirement benefits. In addition, Sector-specific benefits given include enhanced gratuity payments, long-service awards and staff transportation facilities.

Components of our remuneration

- Guaranteed pay
- Benefits (detailed alongside)
- Performance-based incentives

WAY FORWARD

- Enhancing process efficiencies through adoption of digital transformative strategies
- Development of leadership tiers and capabilities
- Continuous focus on employee well-being and welfare
- Driving holistic, organisation-wide, diversity, equity & inclusion initiatives

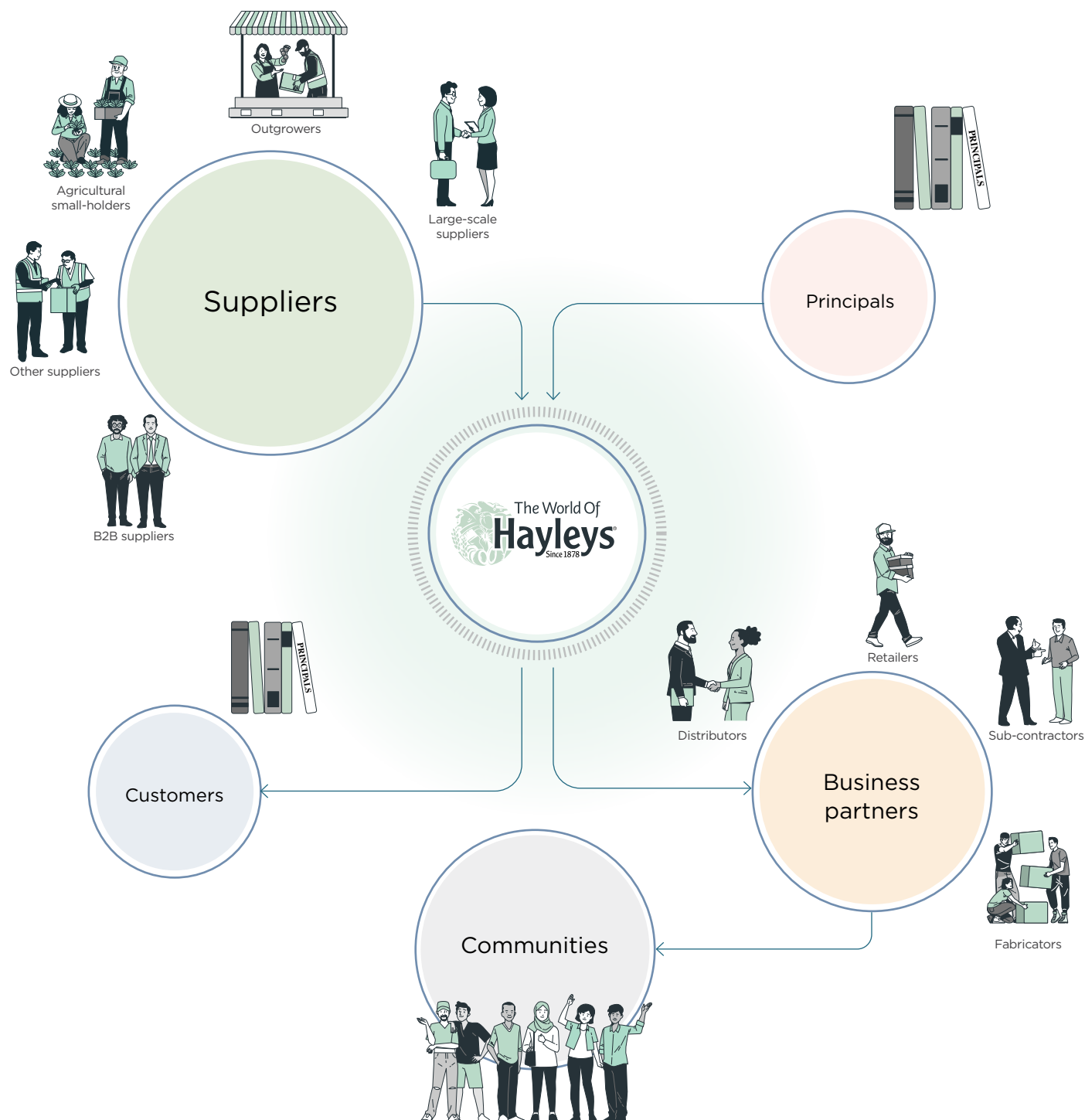
Adequacy of Human Capital for future plans

Attracting and retaining the right talent will continue to be a challenge in the short-to-medium term given the current shortage of skills in the country. The Group will seek to further strengthen its employer brand as a preferred employer while developing a multi-skilled talent pool to address this challenge.



SOCIAL & RELATIONSHIP CAPITAL

As a Group with an unparalleled social footprint across the country, and inclusivity at the center of its Corporate Purpose, Social & Relationship Capital is a vital element of the Hayleys' value creation process. Our ethos has always centered on driving shared value across our relationships and networks, which in addition to building resilient business models and driving socio-economic empowerment has afforded us a strong social license to operate.





CUSTOMERS

Our commitment is to leverage our unique strengths to cater to the dynamic needs of our customers, creating value through innovation, technology, quality and customer service. We combine our deep customer insights with our domain knowledge which is deepened by ongoing engagement and collaboration with customers. The breadth and depth of the Group's operations has enabled it to build a global network of diverse customers.

Understanding customer needs

The channels we use to engage with our diverse customers are detailed on page 88 of this Report. These platforms and channels are used to identify and respond to the concerns and suggestions of our customers, thereby ensuring their needs are identified and responded to.

CUSTOMER PROFILE

1.24 mn

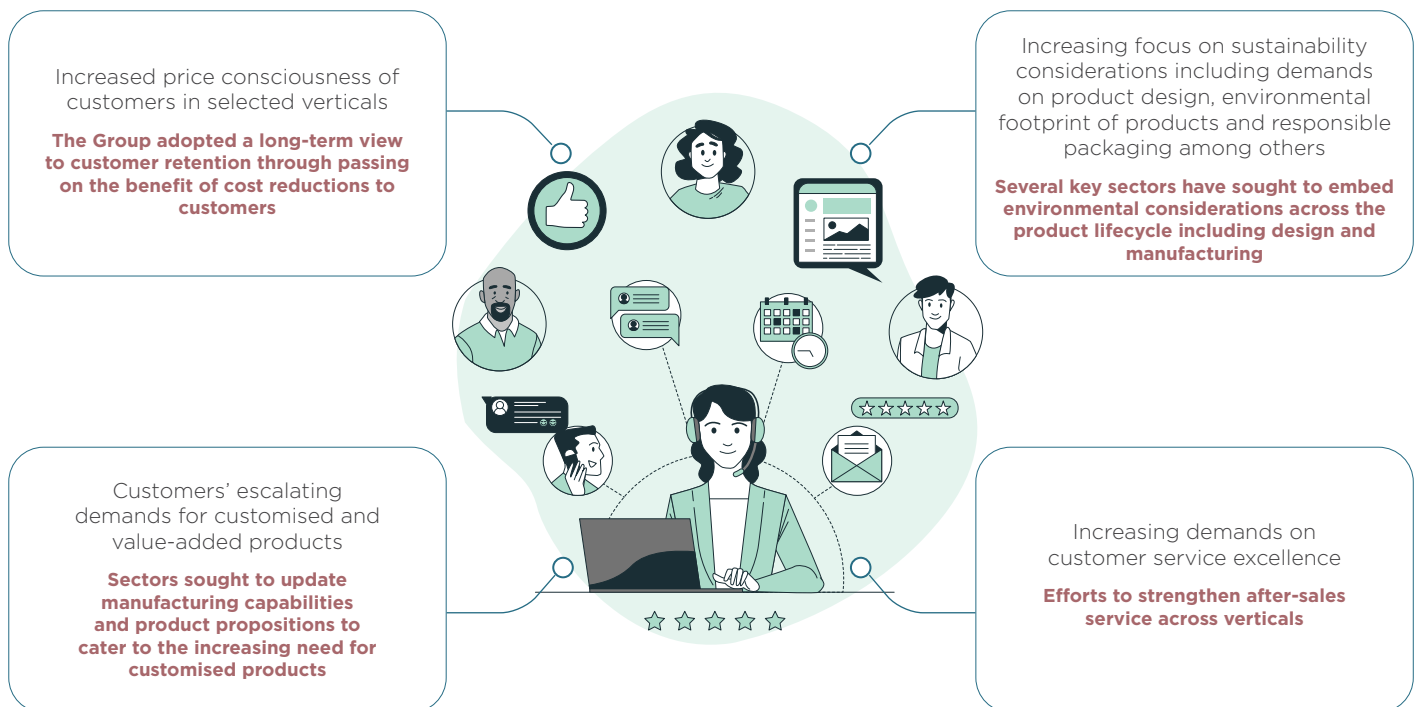
Customers served

B2B and Retail

customers across 5 continents



KEY CONCERNS RAISED BY CUSTOMERS AND OUR RESPONSE



7,000

Customer surveys conducted



99%

Customer complaints resolved

SOCIAL & RELATIONSHIP CAPITAL

Product Stewardship

The Group’s commitment to product stewardship is embedded across different aspects of its customer journey through compliance to certifications, internal policies as well as responsible marketing practices.

 Procurement/ Buying stage	Stringent procurement practices and strong relationships with suppliers limit the risk of potential issues at the purchasing stage
 Manufacturing stage	Compliance to an array of certifications and clearly defined policies, procedures and guidelines for manufacturing operations
Marketing stage	A Responsible Marketing Guidelines ensures the integrity and accuracy of all marketing communications. The Hayleys Group Corporate Communications Department reviews all key press releases and publications
Product use	Compliance with a range of certifications which provide assurance to external stakeholders regarding the quality and safety of our products. These include the following certifications obtained by various sectors <ul style="list-style-type: none">• ISO 9001: 2015 Quality Management Systems• ISO 22000: 2018 Food Safety Management Systems• British Retail Consortium Certification Safety and Quality certification for consumer products

Building sustainability into products

Aligned with our ESG aspirations, we are integrating sustainability into our research and product development processes thereby striving to minimise negative environmental implications during product usage as well as end-of-life disposal. Refer to page 274 for further information on the Group’s sustainable innovation efforts.



SUPPLIERS & BUSINESS PARTNERS

The Group’s deep-rooted relationships with diverse and extensive supply chains across the country is a defining aspect of its value creation process, strengthening its socio-economic footprint. Suppliers are diverse in geographical profile and scale of operations, ranging from individuals and small-scale suppliers to large B2B players.

Supplier value creation during 2023/24

The Group’s supplier value proposition centers on continued value injection through procurement, development and capacity building and creating market linkages to global value chains. During the year, total payments to suppliers declined by 17% to Rs. 325.36 bn.



Building inclusive value chains

Inclusivity has always been a defining characteristic of the Hayleys ethos and the Group has always prioritised business models that support grassroot communities, thereby injecting economic value and driving empowerment. Through its diverse businesses, the Group connects rural communities to global supply chains, facilitating market linkages, building capacity and providing access to finance and resources. During the year, the Group supported nearly 20,000 smallholder agricultural suppliers and business partners.

Sector	Suppliers/Value chain partner	Number
Eco Solutions	Fibre suppliers	419
Hand Protection	Latex suppliers (local)	6,000
	Latex suppliers (Thailand)	1,059
Purification	Charcoal and coconut shell suppliers	285
Agriculture	Outgrowers-fruits and vegetables	11,962
	Smallholder-farmers	225
Construction Materials	Fabricators	30
Consumer & Retail	Indirect employment in branches	2800
Projects & Engineering	Sub-contractors	978

WOMEN-LED SUPPLY CHAINS

In diversifying its supply chain and driving socio-economic empowerment among vulnerable women, the Eco Solutions Sector established a Palmyrah processing plant in Jaffna providing employment to 12 impoverished women.

Supplier development

In building resilient supply chains and supporting the long-term sustainability of our valued partners, several key sectors in the Group conduct ongoing supplier development programmes. These initiatives entail providing access to input materials, raising awareness on good social and environmental practices and ongoing capacity development. Key supplier development initiatives that are conducted on an ongoing basis are listed below:

DPL Firstlight- Hand Protection Sector

Strategic supplier development programme which ensures a fair price for rubber latex by guaranteeing rubber smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex. DPL also contributes US 0.5 dollars for every pair of gloves sold, which is utilised to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.

+6000 Farmers in total

Rs.3.0 bn Payments to Firstlight farmers

131,00 kg of fertilizer distributed

600 Farmers participated in training programmes

Rs.3.79 mn Investments in community engagement



Haritha Angara- Purification Sector

A holistic supplier development initiative, through which charcoal makers are encouraged to engage in environmentally friendly charcoaling with Haycarb PLC providing technical support and guidance on ecologically friendly charcoaling processes and buy back agreements.

+6,000 Farmers island-wide

23 Green charcoaling pits added bringing the total to **431**

12 Suppliers assisted to mechanise production facilities during the year, with **over 350** supported so far

SOCIAL & RELATIONSHIP CAPITAL

Skill development along value chains

Several Sectors in the Group are catalysts for skill development in their respective industries and value chains, sharing best practices, raising awareness on latest technology and supporting the future-readiness and resilience of these value chains. Key ongoing interventions include the following:

Singer Fashion Academy

The Singer Academy supports livelihood development through empowering youth who wish to pursue a career in sewing, by providing opportunities for skill development through 6 fashion academies. The School aims to provide future fashion entrepreneurs an understanding of the scope and opportunities available in the field of fashion design at an affordable cost

**Total students trained:
over 5,400**

Fabricator Training By Alumex

Alumex has contributed towards the development of a skilled and competent construction industry through building capacity in aluminium extrusions, providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies through multi-faceted training programmes. The training is targeted towards a wide range of fabricators and technicians including students of VTA affiliated Technical Colleges, CECB, Buildings Department, Provincial Councils, ICTAD, Contractors, Sri Lanka Army, Navy, Air Force and other Technical Colleges (Government/ Non-Government) island wide.

20,000 fabricators trained to date



Agriculture Training Schools

The Hayleys Agriculture Training school conducts training programs for a range of stakeholders including teachers, industry practitioners and commercial operators. While supporting our financial objectives this initiative also aims to enhance the agricultural skill base in Sri Lanka, given the shortage of skilled labour in the industry.

Membership in Industry Associations

- Ceylon Chamber of Commerce
- Ceylon Association of Ships' Agents
- Lanka Business Coalition for HIV-AIDS
- United Nations Global Compact
- National Agribusiness Council
- Sri Lanka Association of Inbound Tour operators
- National Chamber of Exporters
- Sri Lanka Institute of Nanotechnology
- Planters Association
- Sri Lanka Freight Forwarding Association
- SLASSCOM
- American Chamber of Commerce

COMMUNITY ENGAGEMENT

CSR Governance: All CSR initiatives are aligned to the Group Community Engagement policy but formulated and driven at Sector level; certain significant projects are also driven by the Centre. The Group ESG Steering Committee has oversight responsibility on the Group's CSR activities. Details pertaining to CSR activities, beneficiaries and impacts are reported by the Sectors to the Group ESG division on a quarterly basis.

Measuring our impact: Sectors monitor the impact of its community engagement activities on an ongoing basis, defining project-specific criteria to monitor progress and assess success. From a Group perspective, total beneficiaries, CSR investments and volunteer hours are monitored on a consistent basis.

INDUSTRY PARTNERSHIPS

As a dominant player and active stakeholder in several of its business sectors, the Group contributes proactively to industry forums and associations, engaging with stakeholders and the government to provide input in creating an enabling industry and regulatory environment. The Group holds memberships in the following industry associations

HIGHLIGHTS OF THE GROUP'S COMMUNITY RELATIONSHIPS POLICY

- Sectors should actively engage in strategic community development initiatives, broadly focusing on the key areas of education, health and well-being, livelihood development, religion and culture
- Encourage and reward employee volunteerism, thereby recognising employee involvement.
- The progress of all projects should be monitored periodically, through impact assessments, audits, feedback from beneficiaries and independent third parties (where necessary) to ensure that program objectives are met.

KEY CSR INTERVENTIONS IN 2023/24

The Group's community engagement activities during the year were designed to address critical community needs while leveraging the Group's strengths in specific areas and aligning with the aspirations of the Hayleys Lifecode. Key CSR initiatives conducted during the year are summarised below:

Sisu Divi Pahana

Initiated by the Purification Sector as part of its 50th anniversary commemoration, 'Sisu Divi Pahana' provides nutritious mid-day meals to students across 13 schools in Madampe, Wewalduwa, Kaluthara, Mahiyanganaya, Padaviya and Batticaloa. The programme was launched amidst the surge in food inflation last year and has contributed towards preventing acute malnutrition in students and increasing retention levels in schools. During the year, the Hand Protection Sector also joined the initiative, thereby widening impact and coverage.



19
Schools

1,200 Students
People benefited

More than 250,000
Meals

Puritas Sath Diyawara

Puritas Sath Diyawara leverages the Group's expertise in water purification to provide purified water to families in areas affected by Chronic Kidney Disease (CKD). Conceptualised and launched by Puritas (Pvt.) Ltd., the initiative has expanded in partnership with other sectors within the Group. A Puritas Sath Diyawara project consists of commissioning a Reverse Osmosis (RO) water treatment plant and distribution system (through docking stations) to enable residents to obtain high quality potable water.



190,000 liters
Water purified a day



>45,000
People benefited



21
Villages benefitted



19
Projects



Rs. 95. 90 mn
Collective and cumulative investment by the Hayleys Group

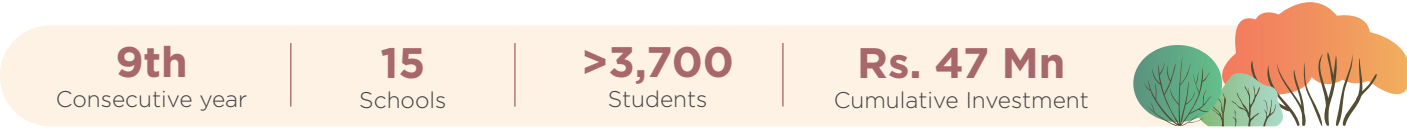


275
Direct job opportunities

SOCIAL & RELATIONSHIP CAPITAL

Sathdiyawara Going Beyond





Launched as an extension of Puritas Sath Diyawara, ‘Going Beyond’ strives to address the broader socio-economic needs of the people living in CKD affected villages. In recent years, this initiative has focused on supporting the educational needs of these impoverished communities through providing infrastructure & facilities and book donations among others.



Home for Every Plantation Worker

A long-term, multi-dimensional community engagement initiative carried out by the Plantation Sector, ‘A Home for Every Plantation Worker’ is a unique and holistic program targeted at uplifting the living standards of employees and estate community amounting to nearly 150,000 individuals. The relevance of this programme was greater during the year, given the numerous socio-economic challenges that prevailed.

The progress made in each of the focus areas are summarised below:

 Living environment	30,317 Beneficiaries Construction of new houses, upgrading existing water supply schemes and installation of new water delivery systems and improving access roads
 Health & nutrition	273,730 Beneficiaries Comprehensive immunisation programmes, medical facilities, awareness programmes on health and nutrition, early childhood development programmes and antenatal and postnatal care
 Community capacity building	50,949 Beneficiaries Provision of housing loans, savings schemes, micro-financing facilities as well as training on household financial management and home gardening among others
 Youth empowerment	56,335 Beneficiaries Home gardening, language and computer classes, awareness on significant social issues and career awareness programmes

Give the gift of sight campaign

The Hayleys Group partnered with HelpAge in the “Give the Gift of Sight” campaign, committing to restoring vision by sponsoring 260 cataract surgeries for individuals from underprivileged communities, thereby addressing preventable blindness. The initiative combined the efforts of more than 10 Sectors of the Group including Agriculture, Hand Protection and Purification.

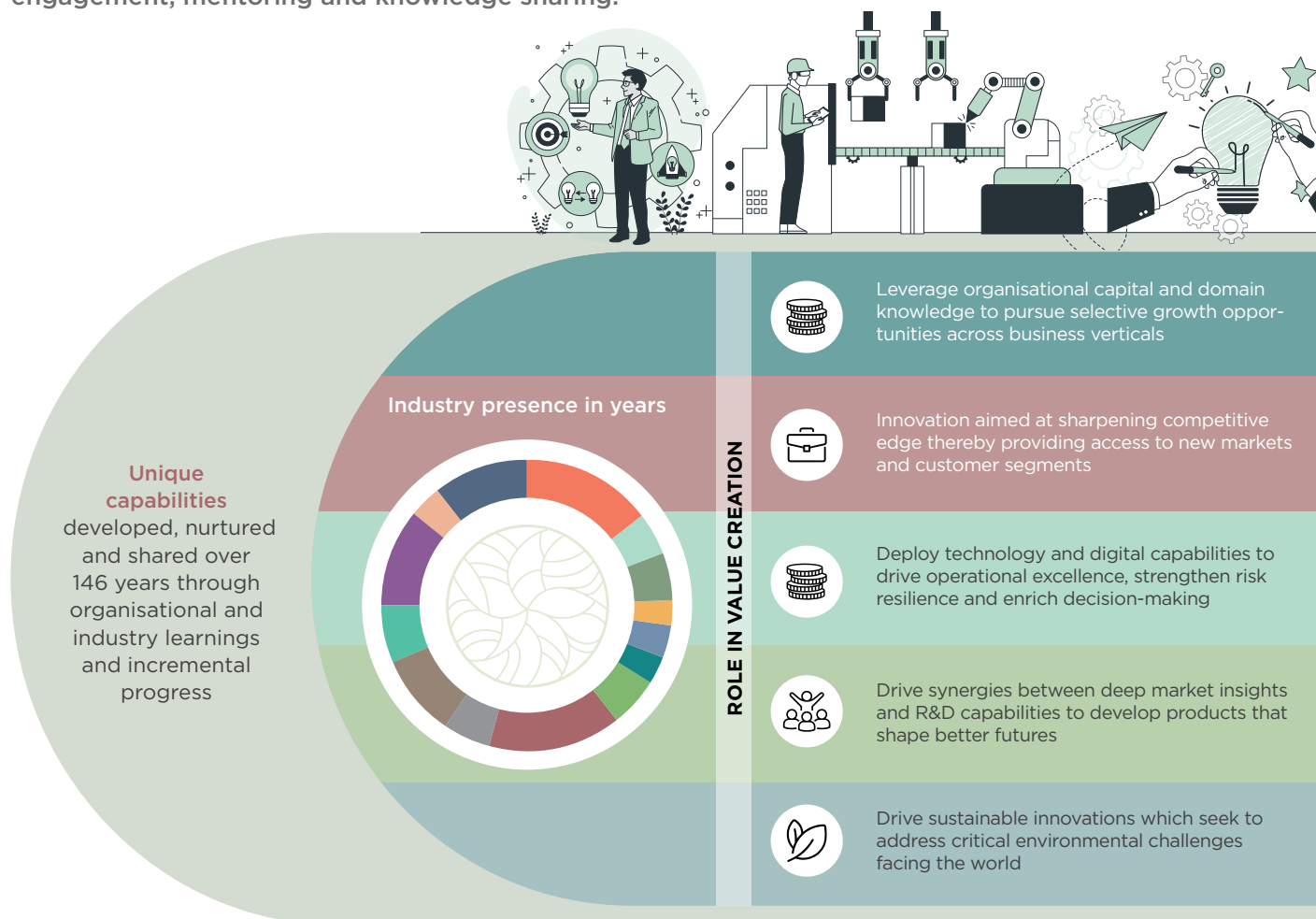
Soorya Sathkara by Hayleys Fentons

In a unique socially and environmentally impactful initiative, Hayleys Fentons launched Soorya Sathkara in commemoration of surpassing the 200MWp rooftop solar PV installation in Sri Lanka. Through this initiative, Hayleys Fentons seeks to install solar PV in 200 children’s homes, elderly homes and special needs care centers across the island.



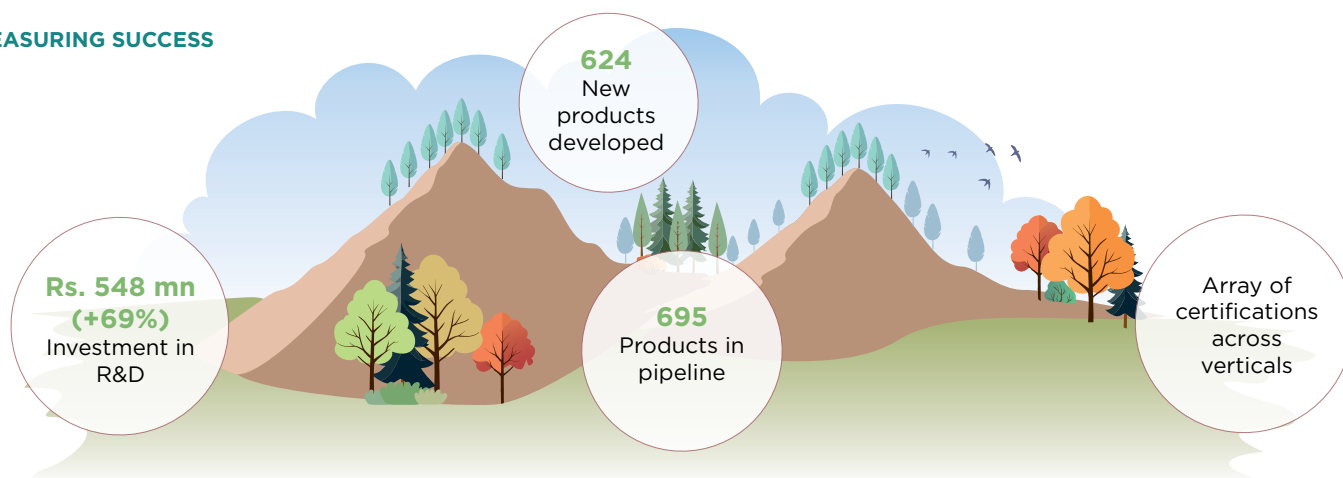
INTELLECTUAL CAPITAL

We define Intellectual Capital as the integrated products and solutions we offer across our verticals, our appetite and capability for innovation which enables us to persistently meet emerging customer needs and the unique skills, attitudes and values of our team which are passed on through a culture of engagement, mentoring and knowledge sharing.



● Eco Solutions ● Hand Protection ● Purification ● Textiles ● Construction Materials ● Plantations ● Agriculture ● Consumer & Retail
● Leisure ● Industry inputs, Power & Energy ● Transportation & Logistics ● Projects & Engineering ● Tea Exports ● Others

MEASURING SUCCESS



INTELLECTUAL CAPITAL

PRODUCT CAPABILITIES

The Group's extensive product portfolio across its diverse verticals fulfill an array of needs of both retail and industrial customers, fulfilling a variety of needs at every stage of the customer journey. With a Group-wide focus on sustainable innovation, several of our Sectors manufacture products that are designed to address critical social and environmental challenges facing the world today, thereby ensuring that our products contribute towards shaping better futures. The Group's comprehensive product map is graphically illustrated below; further information on the product proposition of the Sectors are given on the Portfolio Reviews from page 114 to 245 of this Annual Report.

CONVENIENCE, COMFORT AND CONNECTIVITY

Hand Protection Sector

An array of multi-purpose gloves catering to households and industries

Eco Solutions Sector

Range of brushware and value-added eco-fibre products

PURIFICATION APPLICATIONS

Purification Sector

Safeguarding health and well-being of people and the environment through water and air purification solutions

LIFESTYLE

Construction Materials

Aluminium extrusion for sophisticated living

Leisure

Curating unique hospitality experiences across our hotel and resort portfolio

NUTRITION AND WELL-BEING

Agriculture and Plantations

Offer an array of sustainable, high-quality and innovative agricultural products including tea, spices, value-added vegetables and fruits.

CLEAN ENERGY GENERATION

Projects & Engineering

Driving Sri Lanka's clean energy transition, as the country's leading solar engineering, procurement

Industry Inputs, Power & Energy

Renewable energy generation through hydro, solar and wind power projects

CONVENIENCE, COMFORT AND CONNECTIVITY

Consumer & Retail

Convenience, connectivity and comfort through a range of consumer durables, mobile phones and consumer electronics

FACILITATING BUSINESSES

Industry Inputs, Power & Energy

Supplies an array of industrial raw materials to domestic & export-oriented businesses

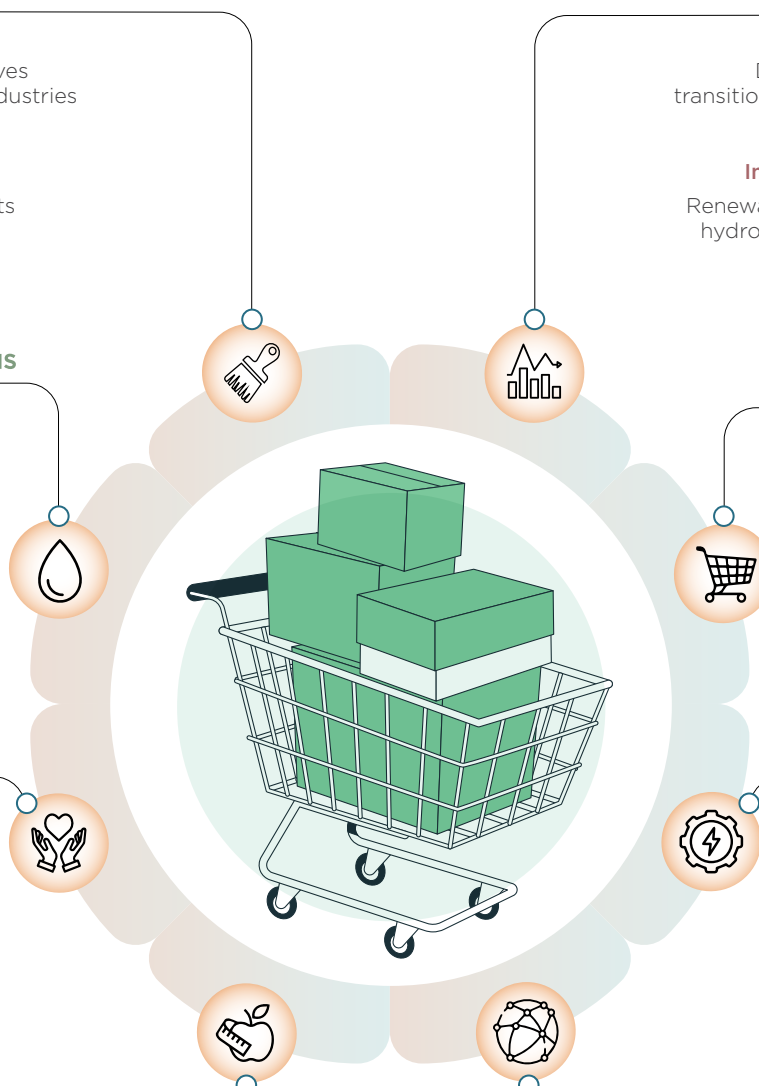
Others Sector

Hayleys Business Solutions International supports businesses.

GLOBAL CONNECTIVITY

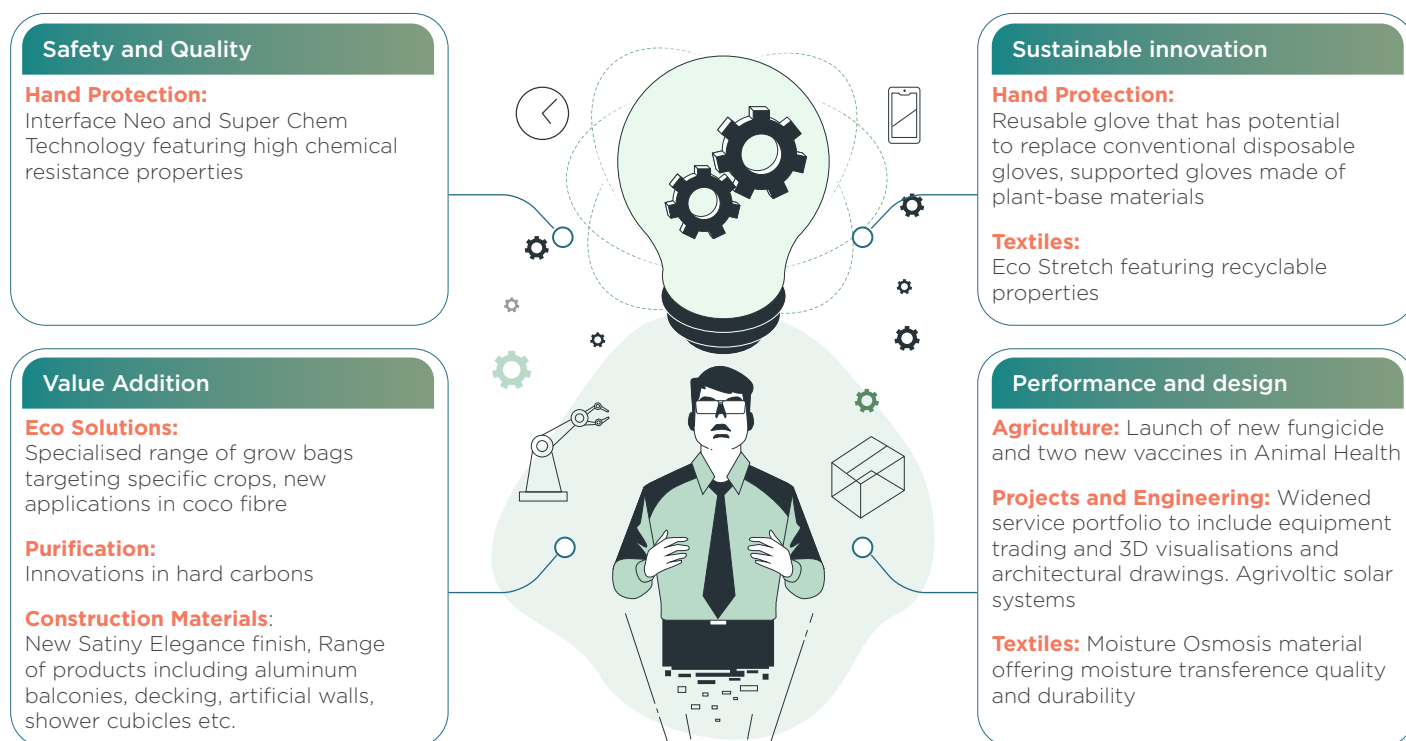
Transportation & logistics

Connecting local businesses to global value chains through a comprehensive array of transportation and logistics solutions



INNOVATION MANAGEMENT

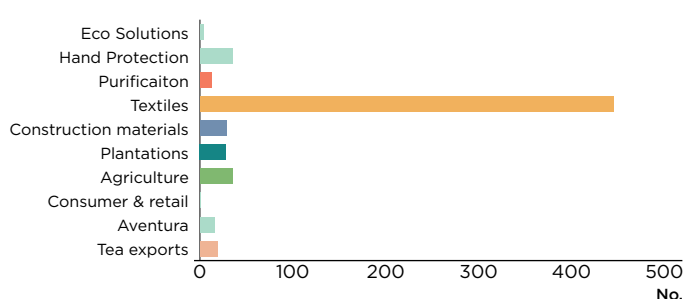
All our Sectors are connected by our fundamental strengths in research and development, technology and capabilities which have fuelled our aspirations to drive innovation in products and processes. We encourage new ideas through propagate a culture of learning which stimulates innovation and knowledge sharing. The Group also collaborates with leading research institutions and universities in developing and commercialising research that facilitates innovation. In recent years, we have also sought to relentlessly adapt our product capabilities and processes to shape better futures that address key sustainability issues. In recent times, the Group's R&D interventions have centered on four key dimensions as is illustrated below



ORGANISATIONAL KNOWLEDGE

Industry insights and domain-specific knowledge gained over an established track record of over 140 years has sharpened the Group's competitive edge and enabled it to nurture a unique base of intellectual capital. With Sectors consistently increasing the depth and breadth of its operations both organically and through acquisitions, this unique base of intellectual capital has deepened, facilitating a high level of adaptability to market conditions, which has in turn enabled resilience in challenging conditions. The Sectors also harness cross-industry expertise in driving solutions and value creation, with successful initiatives being replicated in other sectors or across the organisation.

NEW PRODUCTS BY SECTOR



INTELLECTUAL CAPITAL

Systems and Standards

A host of national and international certifications across its Sectors reflects the Group’s commitment to operational excellence and continuous improvement. The requirements of the Group’s global customer base have also encouraged sectors to comply with stringent quality certifications, which have contributed towards strengthening internal systems and processes thereby enhancing the Group’s intellectual capital base.



DIGITAL TRANSFORMATION

The Group embarked on a digital transformation journey during the year, strengthening both human and digital capabilities in formulating a medium-to-long term digital roadmap. The roadmap seeks to leverage digital technology, data and people capabilities to achieve operational excellence, enhance customer experience, mitigate risks, empower employees through richer data insights and generate new revenue streams. Group-wide roll out of the digital transformational roadmap will be a key priority in the next financial year.

WAY FORWARD

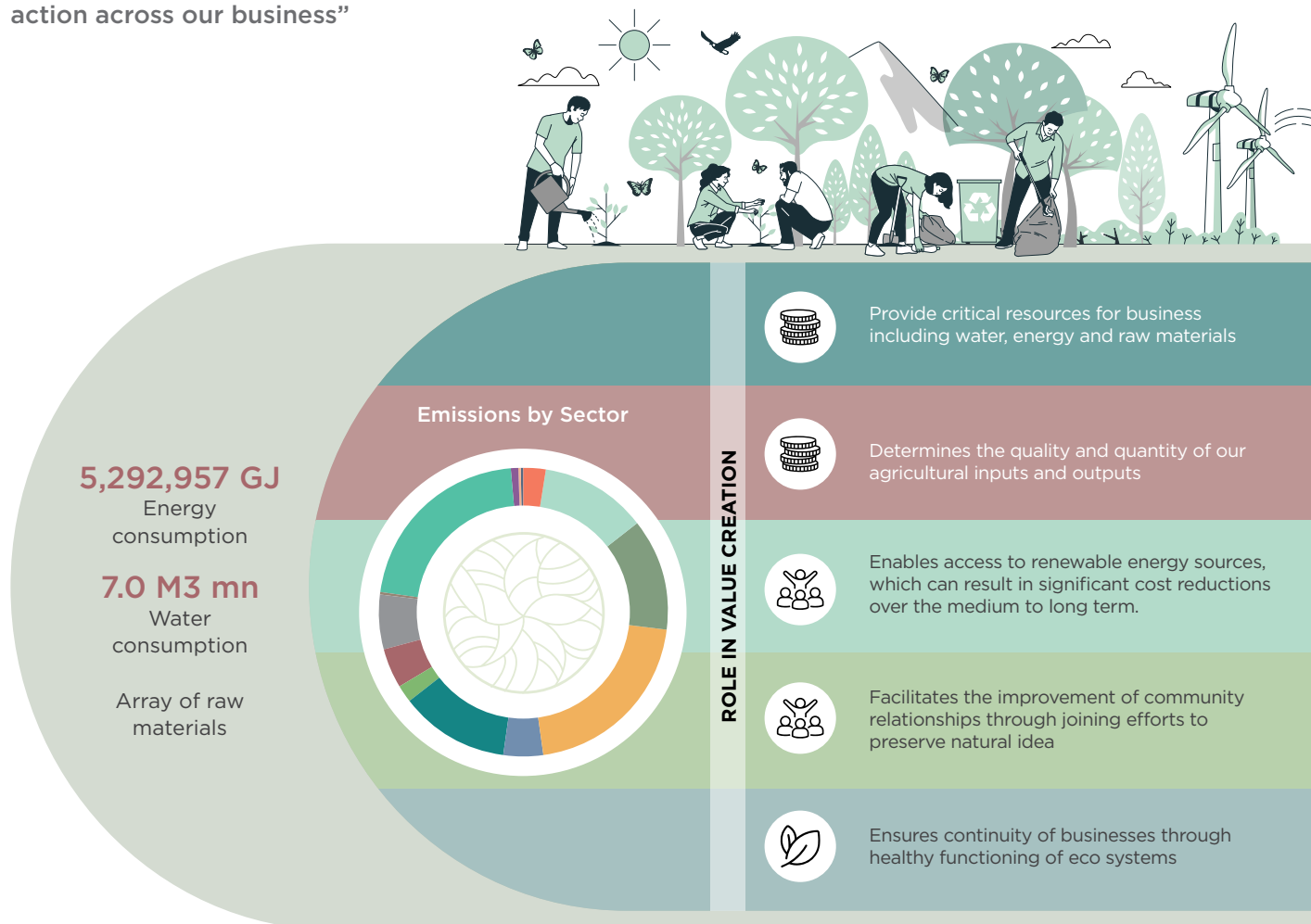
- Innovation focused on value addition and sustainability principles
- Culture of learning and knowledge sharing
- Implementation of the Group’s digital roadmap

Adequacy of Intellectual Capital for future plans

A strong pipeline of products, together with ongoing investment in R&D capabilities and a culture of knowledge sharing is expected to further strengthen the Group’s intellectual capital in the short-to-medium term. The quality of the Group’s intellectual capital has positioned it in good stead to leverage on emerging opportunities, accessing new markets and customer segments.

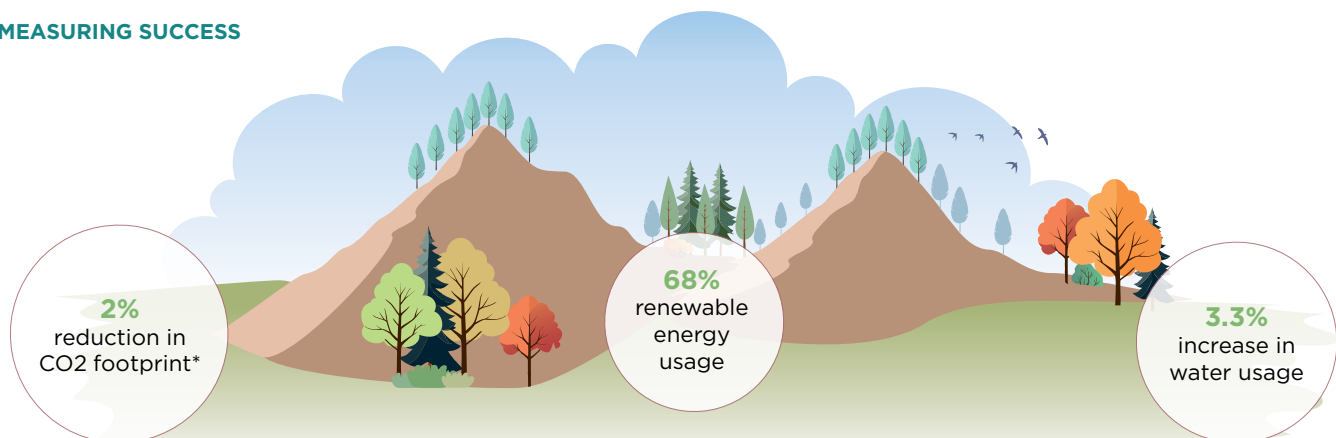
NATURAL CAPITAL

As a Group which relies heavily on agriculture-based input materials Hayleys' commercial success is linked to the health of the planet and natural resources. We are deeply committed to driving efforts to keep our operations resilient to environmental risks while adopting environment and climate-positive action across our business"



● Eco Solutions ● Hand Protection ● Purification ● Textiles ● Construction Materials ● Plantations ● Agriculture ● Consumer & Retail
● Leisure ● Industry inputs, Power & Energy ● Transportation & Logistics ● Projects & Engineering ● Tea Exports ● Others

MEASURING SUCCESS

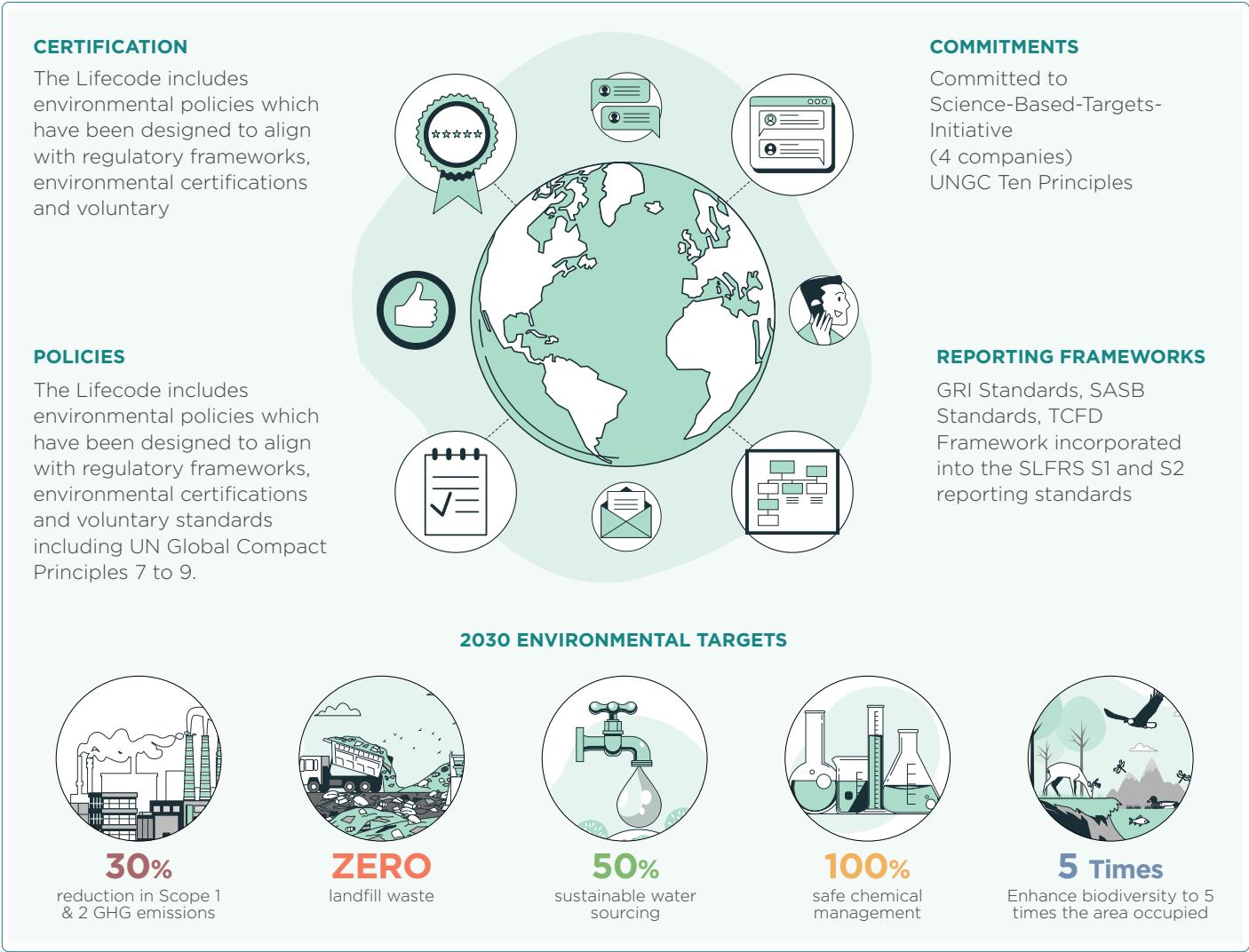


*Excluding the emissions arising from new acquisitions during the year

NATURAL CAPITAL

APPROACH TO MANAGING ENVIRONMENTAL IMPACTS

The environmental challenges we face today are the most defining ones of this generation and we are responding with innovation, deep commitment and urgency. While environmental consciousness has long-been embedded into our thinking and decision-making, our approach to managing our environmental impacts center on identifying where and how we can make the greatest impact. The Group’s environmental strategy is clearly set out in its ESG Roadmap-the Hayleys Lifecode and supported by a comprehensive suite of policies and certifications.



ENERGY

Reducing energy consumption and increasing our energy efficiency is key to achieving the Group’s emission reduction targets. The Group’s energy strategy in recent years has centered on gradually reducing dependence on fossil fuels through opting for sustainable and renewable energy sources while optimising energy usage across our operations. Energy consumption is tracked and monitored across all operating locations and performance

against reduction targets is reported to sector-level ESG Steering committees at least on a quarterly basis. Key interventions to achieve the Group’s energy targets are set out below:

Energy efficient infrastructure and operations

Energy efficiency principles are incorporated in the design process of the new building, with due consideration given to temperature, natural light and humidity. Energy saving features include

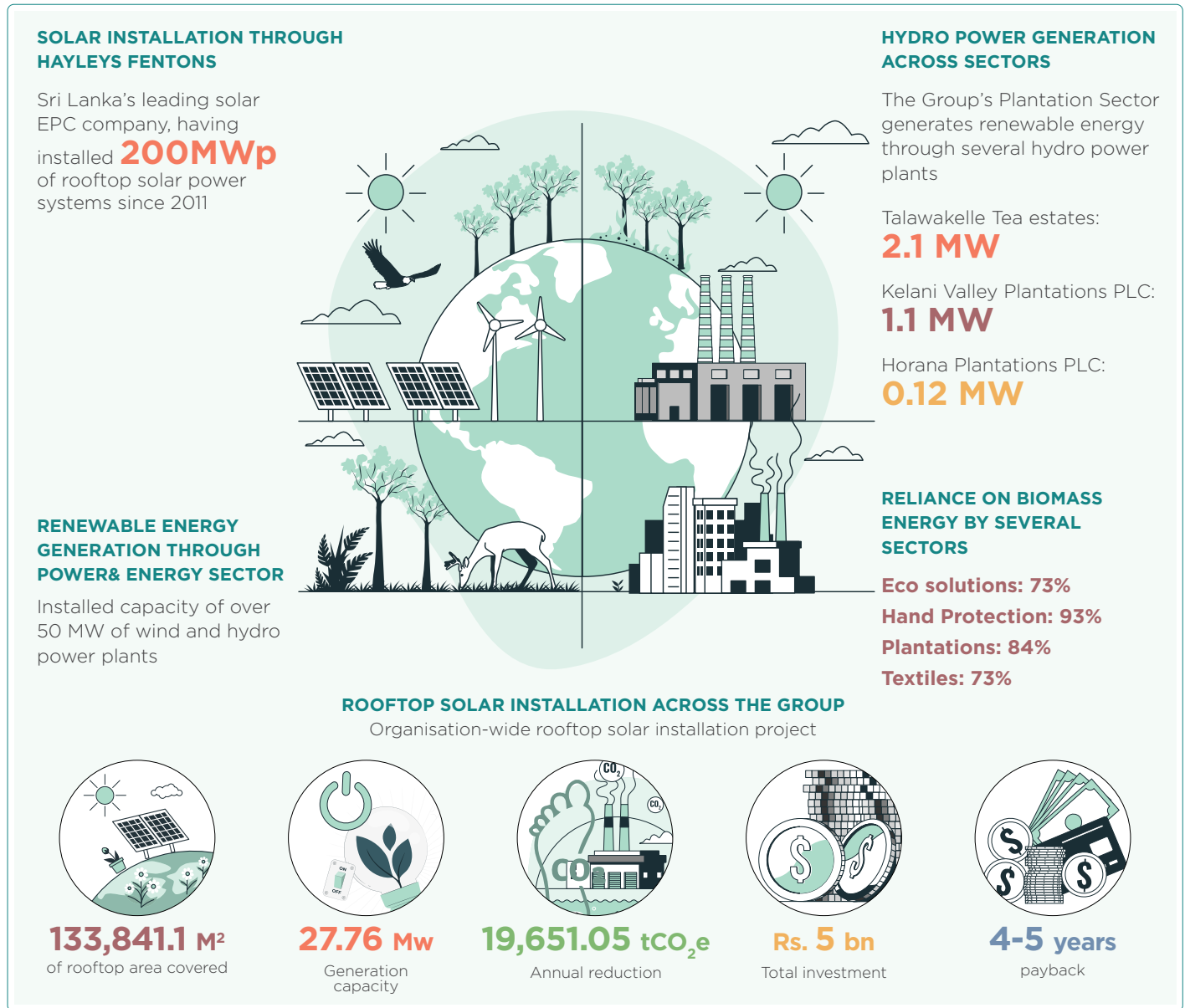
passive design, energy management certifications and energy efficient equipment.

Transportation services

The Group has deployed 14 buses (at Head Office), along several key commuting routes to facilitate the transportation of employees. During the year, approximately 450 employees utilised this service, which in turn has been estimated to save emissions of approximately 4.84 tonnes Co2e.

Supporting Sri Lanka's renewable energy transition

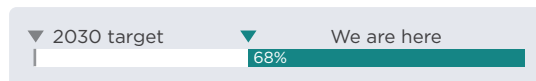
As Sri Lanka gears up to meet its net-zero commitments, as articulated in the Net Zero Carbon Roadmap, renewable energy is poised to replace fossil fuels. As a Group, Hayleys is catalysing the country's transition to renewable energy, both through reducing dependence of fossil fuels in its own operations and commercial installations across the country as illustrated below.



Energy performance indicators

The Group's total energy consumption increased by 10% during the year, with wood log - rubber, wood chip and other alternative biomass emerging as the most significant energy sources with a collective share of 54%. Energy intensity as measured by GJ/Revenue Rs. mn, also increased by 22%. The Group's energy composition continued to tilt towards renewable energy, which accounted for 68% of total energy consumed during the year. In line with the Group's third party verification on its carbon footprint, energy-related information has been restated for 2022/23.

Performance against targets

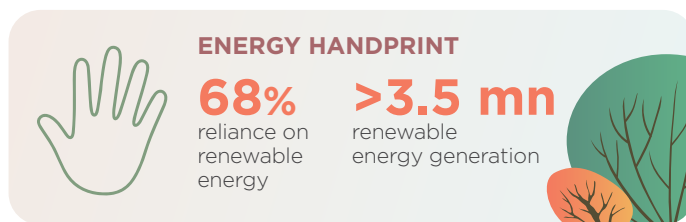
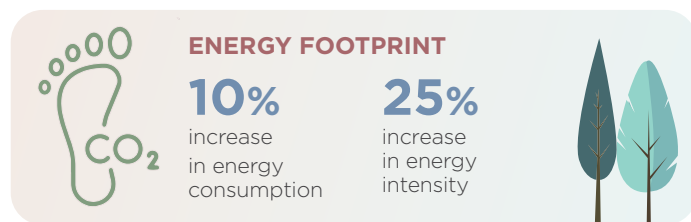
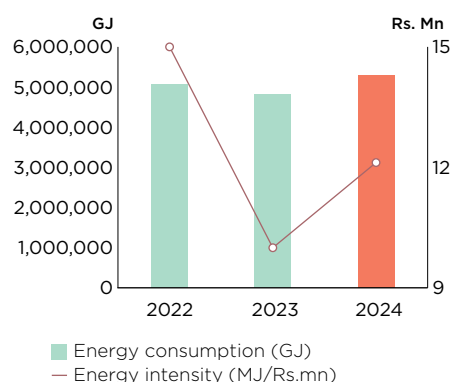


Target 1: 90% sustainable and renewable energy applications
(Actual: 68%)

NATURAL CAPITAL

	Energy consumption		
	GJ	Y-o-y change(%)	% composition
Eco Solutions	132477	36	3
Hand Protection	2055012	4	39
Purification	240589	-9	5
Textiles	1476777	-2	28
Construction materials	81117	-2	2
Plantations	591950	150	11
Agriculture	30968	-15	1
Consumer & Retail	58507	-21	1
Leisure	117900	24	2
Industry Inputs, Power & Energy	6487	459	-
Transportation & Logistics	487569	13	9
Projects & Engineering	8299	-50	-
Tea Exports	2218	-32	-
Others	3087	-73	-

ENERGY CONSUMPTION (3 YEAR TREND)



EMISSIONS

The Group measures its carbon footprint in line with the WBCSD/WRI Greenhouse Gas (GHG) Protocol Corporate Standard, ISO 14064 and the PAS 2050. The Group has committed to reducing its Scope 1 & Scope 2 emissions by 30% by 2030, to be achieved through Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuels. The Group's emission reduction aspirations are integrated to its climate strategy, which centers on building a climate-resilient business model while driving continued reductions in the Group's carbon footprint. Please refer to page 294 of this Report for further information on our climate-related risks and opportunities.

Operational interventions

- Increasing reliance on renewable and sustainable energy sources
- Energy efficiency drives across the Group, particularly in the 14 sectors
- Waste to value initiatives driving circularity and decarbonisation across operations

Value chain interventions

- Solar installation through Hayleys Fentons
- Emission reductions across supply chains
- Energy efficient solutions for industries
- Energy storage solutions



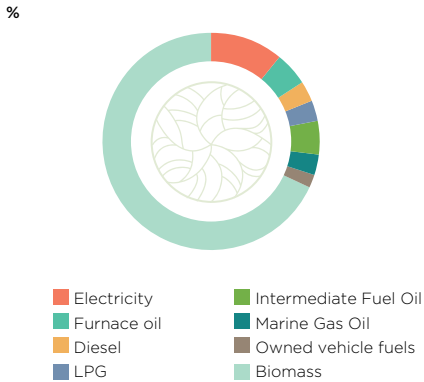
Integrating climate considerations

- Strengthen governance and risk management oversight on climate-risk
- ESG considerations during the Group's budgeting and financial planning processes
- Developing the Group's climate action skills

Leveraging opportunities

- Access to new markets through low-carbon product solutions (i.e Hand Protection Sector and Construction Materials Sector)
- Driving long-term cost reductions through increased investments in solar

ENERGY CONSUMPTION BY SOURCE



Carbon footprint performance indicators

The Group's carbon footprint for 2022/23 was restated following the independent verification on the GHG inventory. The accuracy and completeness of the computation was considerably improved following the verification and the same improvements feature in the GHG computation for 2023/24. Despite the acquisition of new entities and expansion of the business, the Group successfully curtailed the increase in its emissions to 2% reflecting the Group's increased focus on renewable energy and energy efficiency.



2% increase in carbon footprint

13% increase in emission intensity

CONTEXT

Water security and our ability to safeguard bodies of freshwater resources are increasingly at risk. With the global increase in demand for water, the World Resource Institute projects that there will be a deficit in water supply of about 56\$ by 2030. Currently about 25% of the global population lives in countries that suffer from water stress.

COMMITMENT

The Group's Water Management Policy seeks to conserve and optimise water obtained from various sources, seek avenues of recycling and reusing waste-water and responsible disposal of waste-water generations in its operations.



WATER

As a Group which has several water-intensive manufacturing processes, we are cognisant of the potential disruptions to our operations stemming from water stress. This year,

in preparation for the full adoption of IFRS S1 we are aligning with the CDSB Framework's Guidance for water-related disclosures as listed below

CDSB Framework's Guidance for Water-Related Disclosures

Governance: The governance of water related matters is aligned to that of the Group's other environmental aspects, with the Group ESG Steering Committee monitoring water-related performance indicators on a quarterly basis. Water withdrawal is monitored across all of the Group's operating locations and submitted to the Group ESG Division through the Hayleys CUBE. At an operational level, factory managers and/or engineering units are responsible for water management within the respective locations

Management's environmental policies, strategy and targets:

Context: Sri Lanka is considered 'highly water stressed' with the country consuming 90.8% of its total available renewable freshwater resources. The Group's interaction with water as a shared source stems primarily from its use in manufacturing operations, in which certain sectors such as Textiles, Hand Protection and Purification are relatively water intensive. Water is also

used for cleaning and employee usage across the Group. The Group's water sources include groundwater, surface water, pipe borne water and harvested rainwater. Metering is available for main water inputs and wastewater outputs, ensuring the complete and accurate reporting of all relevant data on a timely basis to Hayleys Group ESG Division.

Primary uses of water in Hayleys

Industrial Use

- Glove manufacturing
- Fabric manufacturing
- Blending of industrial raw materials

Agriculture

- Cultivation of tea, rubber and other crops

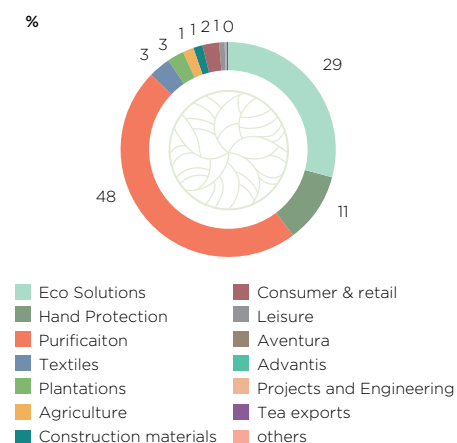
Other

- Sanitation
- Employee use
- Gardening use

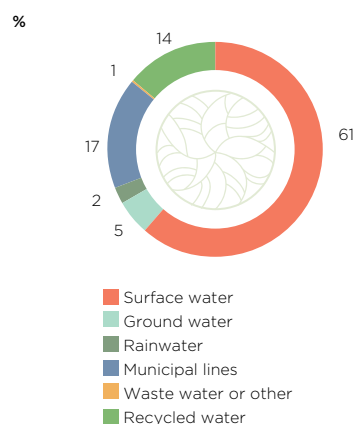


NATURAL CAPITAL

WATER WITHDRAWAL BY SECTOR

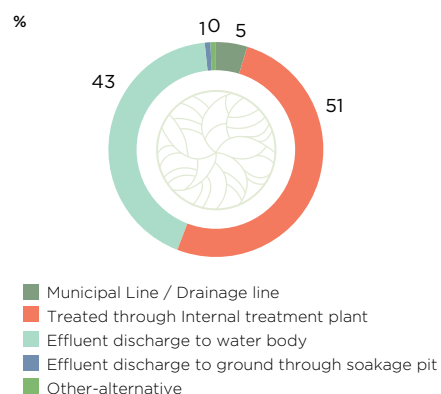


WATER WITHDRAWAL BY SOURCE

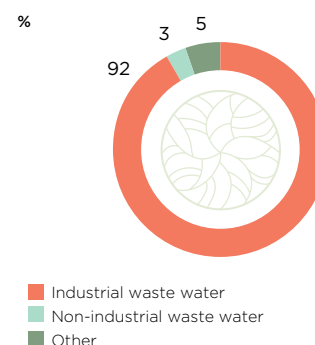


Water discharge: The Group's manufacturing processes involve the discharge of wastewater, and effluent treatment plants to responsibly dispose of effluents. Wastewater is typically treated and recycled for re-use for gardening and/or organic farming purposes. Effluents discharged from our operations comply with the requisite water quality standards of BOD, COD, TSS, pH and oil and grease levels are checked on a regular basis by independent assessors to ensure it meets compliance levels.

EFFLUENTS BY METHOD OF DISPOSAL



EFFLUENTS BY TYPE

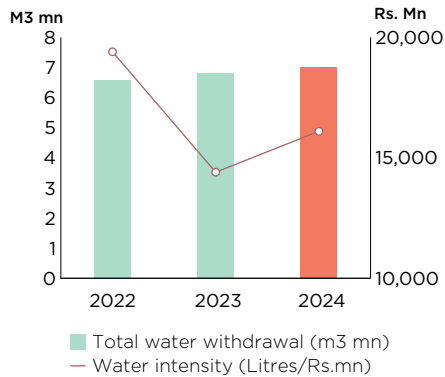


Policy and targets: The Group's Water Management policy is applicable to all entities within the Group and clearly sets out targets, action plans and deliverables. The policy is in line with the UNGC CEO's Water Mandate and all relevant laws and guidelines and national and international standards.

Water-related risks and opportunities

Risk/ Opportunity	Description	Potential business and financial impacts
Physical risk	Fluctuations and limited availability in water supply stemming from the country's water scarcity	Considerable impacts on the business continuity and manufacturing cost of the Textiles and Hand Protection Sector which are water-intensive operations
Precipitation and rainfall	Changes in precipitation patterns and variability in weather patterns which lead to changes in temperature, water stress and coastal erosion	Implications on the yield, quality and quantity of our Plantation Sector products including tea, rubber and other crops. Impacts on the Agriculture Sector can stem from weaker demand due to crop losses
Market	Shifting customer preference to water efficient products and technologies	Increased pressure from customers (particularly in the European region) who demand water targets and disclosure of performance against targets
Reputational risk	Stakeholder perceptions of the Group's use and discharge of water and negative media coverage	Adverse implications on community relations due to water stress and potential impacts on social license to operate
Resource efficiency	Increased use of water recycling and reduced water usage and wastage	Opportunity to drive increased efficiencies and curtail costs, particularly in Sectors which are water intensive
Products and services	Development of less-water intense products and services and water-climate adaptation	Sectors such as Textiles can drive customer acquisition and access new markets through water-conscious innovations

WATER WITHDRAWAL TRENDS



▼ 2030 target

▼ We are here

49%

Target 1: 30% sustainable water sourcing by 2030:

49%

Actual

▼ 2030 target

We are here

12%

Target 1: 30% reduction in water intensity:

12% (Increased)

Actual

The Group's total water withdrawal increased by 3.3% during the year to reach 7 mn, driven by increased usage in key sectors of plantations, Industry Inputs power and energy and Projects and Engineering. Total intensity also recorded an increase of 12% during the year.

MATERIALS AND CIRCULARITY

The Group consumes an extensive variety of materials across its diverse operations and in recent years has sought to embed the principles of circularity across its business through increasing reliance on recycled and renewable materials. This agenda continues to feature prominently in product design/development phase and progress made in this front is summarised below. Other aspects of the Group's material management include minimising chemical usage, use of eco-friendly raw materials and responsible sourcing.



Use of PET bottle recycled yarn by multiple Sectors

The Textile Sector and Hand Protection Sectors uses recycled PET yarn as an input for its fabric and glove manufacturing respectively



Warna by Mahogany by Textiles Sector

A pioneering waste to fashion initiative which extracts dye in house using waste material generated by the local furniture industry



Circular product solutions

Eco-One is an additive which is applied during the manufacturing process to enhance the biodegradation of plastic and polythene products.

Carbon nano tube product for the glove industry, uses carbon black recovered from used tires which in turn leads to significant reduction of crude oil consumption.



Use of recycled Aluminium

The Construction Materials Sector continues to increase the use of recycled aluminium in its production process, thereby reducing the need for virgin aluminium

56%

Use of recycled aluminium



Use of recycled brass

The Group's Agriculture Sector sources recycled brass to manufacture components for spray machines

NATURAL CAPITAL

The Group's material consumption is set out below:

Sector	Metric	2022/23
Purification	Coconut charcoal (MT)	101,753
	Coconut Shells (MT)	50,468
Hand protection	Latex (MT)	34,458
Plantations	Green Leaf (MT)	47,458
	Packing Material (MT) TTE+KVPL	142
Eco Solutions	Coconut husks (Nos)	2,480,232
	Fibre pith (MT)	21,530
	Yarn (Kg)	6,536
Non-Renewable materials		
Construction materials	Aluminium billets (MT)	3,352
Plantations	Dolomite (MT)	3,863
	Fertilizer (MT)	4,473
Textile	Yarn (recycled)	1,805
	Yarn (non-renewable and other than recycled) (Kg)	10,685
	Dyes and Chemicals (Kg)	11,358

WASTE

CONTEXT

Waste including plastics, e-waste and other types of waste pollutes land and waterways and contaminates the air we breathe. The systems and infrastructure in place is not adequate to effectively collect and redistribute the increasing quantum of materials that are consumed by the global population.



COMMITMENT

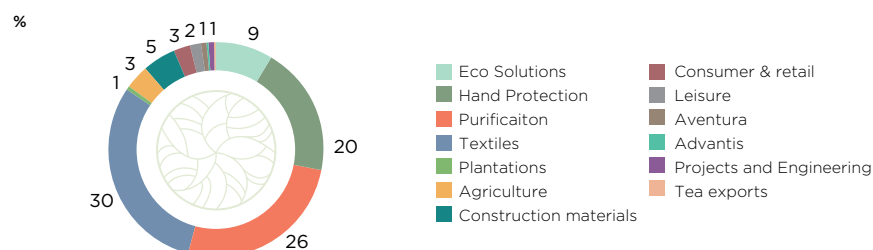
Material & waste management policy

The Hayleys Group strives to minimise waste generation and seeks to effectively manage the waste generated through sustainable disposable methods



Key types of waste generated by the Group include agricultural waste, industrial waste, glass, polythene, plastic, food waste and paper among others. The Hayleys Lifecode sets out a clear target of achieving zero landfill waste by 2030. All Sectors have stepped up efforts to engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. The Group's waste profile is as follows:

WASTE BY SECTOR



In addition to circular business models described above, the following large-scale waste management efforts are in place across the Group.

E-WASTE COLLECTION:

Singer conducts a largescale, island-wide e-waste collection initiative, through which customers are encouraged to return used electronic items. With over 407 collection points around the island Singer directly contributes towards reducing the country's landfill waste.

Televisions: 1898
Washing machines: 46
Refrigerators: 130
Others: 25

COMMUNITY WASTE MANAGEMENT IN PLANTATIONS:

In line with the certification standards of the Rainforest Alliance and ISO 14,001: 2015 Environmental Management System, the Sector conducts ongoing awareness building initiatives and training programmes on the responsible disposal of biodegradable and non-biodegradable waste



WASTE-TO-ENERGY GENERATION:

Through a patented green charcoaling technology, Recogen, Haycarb generates electricity using waste which is supplied to the national grid.

800,000 Kwh of electricity generated

ACCELERATING BIODEGRADATION OF PLASTICS:

Hayleys Aventura's Eco One solution is an organic additive that accelerates biodegradation of plastic and polythene, thereby drastically shortening the timespan such products are retained in landfills from centuries to a few years.

Rate of degradation increased to 18 months

WASTE-TO-VALUE BUSINESS PROPOSITION:

Haycarb PLC's business model is built on a waste-to-value proposition which entails converting waste coconut shells to pursued sustainable innovation strategies that provides solutions to purification of air and water and more recently, in storage of renewable energy

Waste performance indicators

The Group's total waste generation for the year increased by 26% to 20,850 reflecting improved waste reporting across the organisation and increased operational activity in selected sectors. Non-hazardous waste accounted for 76% of the Group's total waste.

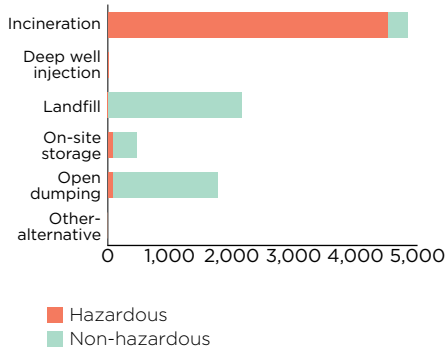
We have enhanced our waste reporting this year, with increased disclosure on type of waste, recovery method and disposal method

Total waste by type and composition

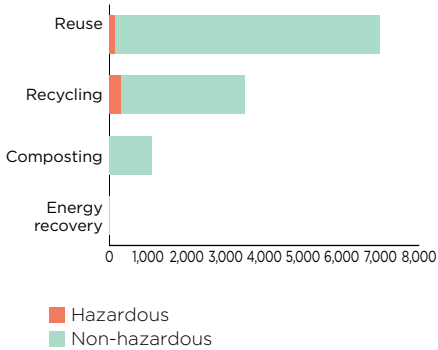
Hazardous waste	Quantity (MT)	Non-hazardous waste	Quantity (MT)
Sludge	4428	Food	419
Contaminated materials	30	Paper	232
E-waste	52	Cardboard	1183
Fluorescent lights	1	Polythene	493
Chemical waste/oil	86	Mixed waste	7104
Ash	317	Glass	26
Mixed waste	20	Metal	169
Other	111	Garden waste	46
		Biomass waste	379
		Wet garbage	146
		Other	4414

NATURAL CAPITAL

WASTE BY DISPOSAL METHOD



WASTE BY RECOVERY METHOD



BIODIVERSITY AND ECO-SYSTEMS

The unsustainable use of land and resources has led to significant losses in biodiversity habitats, severely threatening the balance of the ecosystem and emerging as a key environmental risk facing the world today. The operations of several of our sectors are closely linked to the health of the natural ecosystems surrounding our locations of operations. The Plantations Sector’s tea and rubber estates in the hill country and low country wet zones are particularly rich in biodiversity and we are committed to preserving the natural habitats and ecosystems in these areas.

A high-level overview of the progress made Group’s diverse biodiversity and eco system preservation initiatives during the year summarised below:

244

hectares with rich biodiversity

Calsay estate, Nanuoya borders the Conical Hill National Forest, Agrabopaththalawa

Watershed and catchment areas feeding national rivers Nilwala, Gin, Kotmale Oya and Nanu Oya

Great Western, Radella & Holyrood estates are located near Kikiliyamana Natural Forest Reserve



Project Kirulu

Project Kirulu the Group’s flagship biodiversity program, seeks to leverage the Group’s extensive land bank, cross-sector synergies and insights on ecosystems to preserve Sri Lanka’s rich and vibrant ecosystems. Actioned by Talawakelle Tea Estates, the programme involves the planting of native, endemic trees with the contribution of Group companies.

Advantis Blue Carbon

The Transportation Sector’s Project Advantis Blue C seeks increase the national blue carbon sinking capacity by supporting the conservation and replenishment of coastal ecosystems. The initiative is focused on accelerating the natural regeneration of mangroves at Anawilundawa. The Project received the UN Decade of Restoration Flagship Award for Sri Lanka by the UNEP and FAO of the United Nations

Green belt and Wetland Biodiversity Zone at Hayleys Fabrics:

The Group’s Textile Sector has reserved 20 acres and 9 acres of land adjoining the factory as a Green Belt and Wetland Biodiversity Zone respectively. Conducted under the guidance of the Central Environment Authority, the initiative included a biodiversity survey by the Environmental Ministry Secretariat, which identified 146 plant species belonging to 63 families and 149 animal species, including 2 endemic plant species and 18 endemic animal species.



BIODIVERSITY PRESERVATION IN OUR PLANTATIONS SECTOR

- **Project REGROW by Horana Plantations** in partnership with WNPS Plant aims to restore a nine-kilometre-long forest corridor along the Maskeliya Oya creating 55 hectares of new forests in the process. In the future, this initiative will, enable species to move among larger forest patches in an uninterrupted manner.
- **Talawakelle Tea Estate PLC's large-scale tree planting initiative** at St Clair Reservoir, aims to plant and establish secondary forests across significant hectarages with native and endemic plants across Talawakelle Tea Estates' plantations.
- Both these projects obtained Ecosystem Restoration Verification from Preferred by Nature for these two projects, the first of its kind in Asia
- KVPL in partnership with IUCN launched the **Surakimu Ganga initiative** which strives for collaboration between the private, sector and international organisations to adopt nature-based solutions for greening the river basin in We Oya catchment area in the Kelani river.

WAY FORWARD

- Widen Scope 3 emission reporting across the Group
- Ongoing transition to renewable energy with several sectors including Transportation & Logistics, Purification and Hand Protection committing to large solar power projects
- Align with increasingly stringent environmental regulations including the European Union's Deforestation Regulation and the Carbon Border Adjustment Mechanism



CLIMATE RISK REPORT

ABOUT THE REPORT

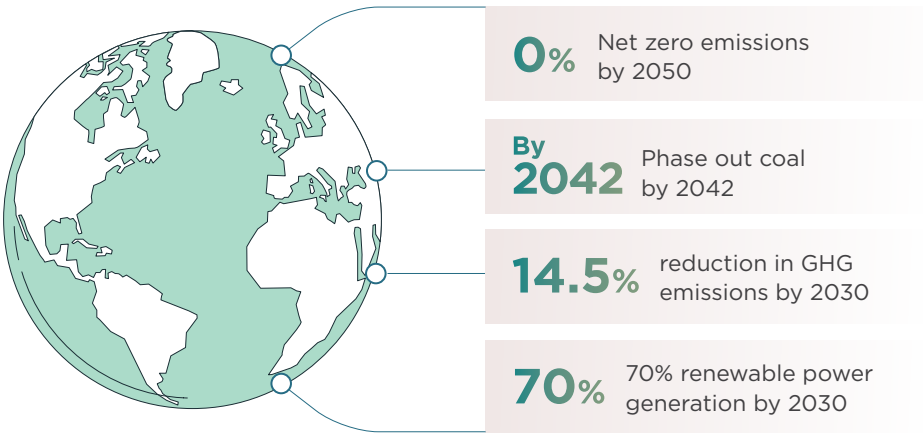
This Report details the Hayleys Group’s overarching climate strategy including the progress we are making towards our sustainability aspirations, approach to climate risk management and our plans to drive decarbonisation across the Group. The Report is aligned to the requirements set out in the IFRS Sustainability Disclosure Standards; with the application of IFRS S2- Climate Related Disclosures in accordance with IFRS S1 and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As discussed in further detail on page 13 of this Annual Report, we have applied the transitional relief adopted for first-time reporters and have opted for qualitative disclosures this financial year. While primarily of interest to providers of financial capital, the Report also includes information relevant to other stakeholders. The Report is structured as follows:

<div>1</div> <div>Overview</div>	<div>2</div> <div>Governance</div>	<div>3</div> <div>Strategy</div>	<div>4</div> <div>Risk Management</div>	<div>5</div> <div>Metrics and targets</div>
<ul style="list-style-type: none">About the ReportContext	<ul style="list-style-type: none">Oversight of climate-related risks and opportunities (CRRO)Committee mandates and responsibilitiesManagement's roleTraining and awareness	<ul style="list-style-type: none">Identification and management of CRROsOur climate strategyClimate resilience and scenario analysis	<ul style="list-style-type: none">Approach to managing CRRORisk assessment and prioritisation	<ul style="list-style-type: none">Emission reporting

HIGHLIGHTS OF 2023/24

<div>Our commitment</div>	<div>30% reduction in Scope 1 & 2 emissions by 2030</div> <div>10% reduction in Scope 3 emissions by 2030</div>	<div>90% reliance on sustainable and renewable energy by 2030</div>	<div>4 Sectors committed to SBTi</div> <div>2 Sectors obtained verification of SBTi targets</div>
<div>Measurement and assurance</div>	<div>Improvements in GHG reporting</div> <ul style="list-style-type: none">Scope 1: Emissions from refrigerants, fire extinguishers and fertilizer usage includedScope 3: Inclusion of upstream/downstream transportation, employee commuting and waste disposal		<div>External assurance on Group-wide GHG reporting in line with ISO 14064:2008 requirements</div>
<div>Transforming our operations</div>	<div>68% reliance on renewable and sustainable energy</div>	<div>Rs. 5 bn investments in solar within the Group</div>	<div>reducing in the use of chemical fertilizer</div>
<div>Supporting Sri Lanka's transition to low-carbon</div>	<div>50MW installed capacity of solar, hydro and wind plants generating</div>		<div>200 MW of rooftop solar installations</div>

Sri Lanka's climate commitments



GLOBAL AND LOCAL CLIMATE AMBITION

In its sixth assessment report, the Intergovernmental Panel on Climate Change (IPCC) reveals that human-induced global warming of 1.10 C has spurred changes to the Earth's climate that are unprecedented in recent human history. The Paris Agreement, signed into effect by 196 countries in 2015 represents the first-of-its kind legally binding international treaty on climate change, with the overarching aim of stemming the increase in global average temperature to below 20 C above pre-industrial levels. Centered on Nationally Determined Contributions (NDC) which represent country-specific commitments to reduce GHG emissions, actioning the Paris Agreement requires economic and social transformation together with significant technological advancements.

As a signatory to the Paris Agreement, Sri Lanka has committed to achieve carbon neutrality by 2050, as set out in its ambitious Carbon Net Zero 2050 Roadmap and Strategic Plan. The Roadmap seeks to drive cross-sectoral as well as national and sub-national level interventions across six selected sectors; Energy, Industry, Transport, Waste Management, Agriculture and Forestry.

The Hayleys Group supports the Paris Agreement and our emission reduction aspirations center on reducing dependence on fossil fuels, increasing reliance on renewable energy and improving our GHG emissions monitoring. Our Scope 3 emissions are considerably larger than our Scope 1 and 2 emissions, given the depth and breadth of our operations. We are cognisant that accurately capturing the entirety of our Scope 3 emissions is extremely challenging at this juncture and we are adopting a phased approach to identify and measure our Scope 3 emissions. We are acutely aware that reducing our Scope 3 emissions will require extensive

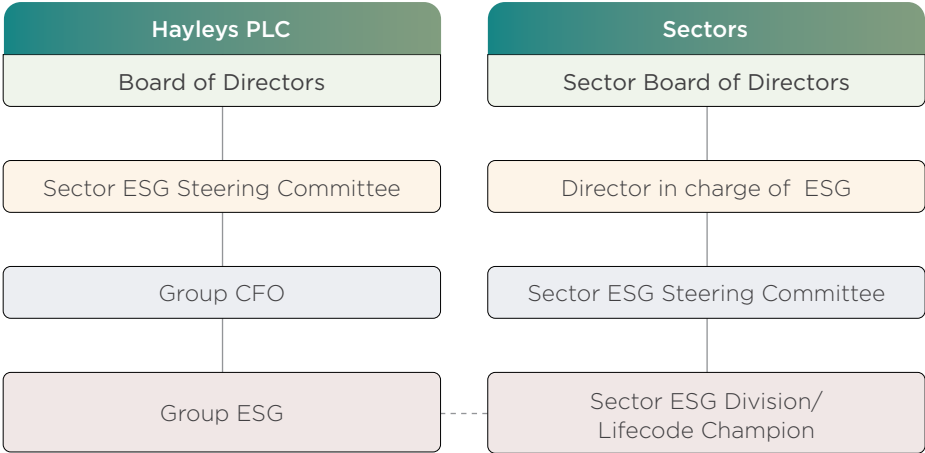
collaboration across our upstream and downstream value chains as well innovation in our product development processes. As our understanding on our Scope 3 emissions increase and we identify opportunities for emission reduction across our value chains, our targets are unlikely to remain static and will evolve as our own maturity in this space grows.

GOVERNANCE OF CLIMATE-RELATED MATTERS

The Board provides ultimate oversight on climate-related matters, which is vital in ensuring that the Group achieves its strategic aspirations while creating positive impacts.

Board and executive oversight of CRROs

A robust governance structure which includes ESG Steering Committees at both holding company and Sector-level enables climate risk management to be embedded into core strategy and operations. The Group ESG Steering Committee (comprising 3 Executive Directors and 3 members of the Group Management Committee) assists the Board in the discharge of this responsibility through monitoring CRROs, formulating response strategies and assessing progress against the Group's ESG roadmap (including the climate strategy).



CLIMATE RISK REPORT

SECTOR-LEVEL GOVERNANCE

Given the diversity of the Group’s sectors, Sector-level ESG Steering Committees were established during the year under review, facilitating more focused and systematic management of industry-specific SRROs and CRROs. Sector-level sustainability-related developments (including SRROs and CRROs) are discussed during quarterly Sector ESG Steering Committee meetings and subsequently tabled during Audit Committee meetings. Sector-level ESG teams/Lifecode champions work closely with the Group ESG Division ensuring a coordinated approach to oversight, strategy, delivery and reporting of the Group’s ESG aspirations.

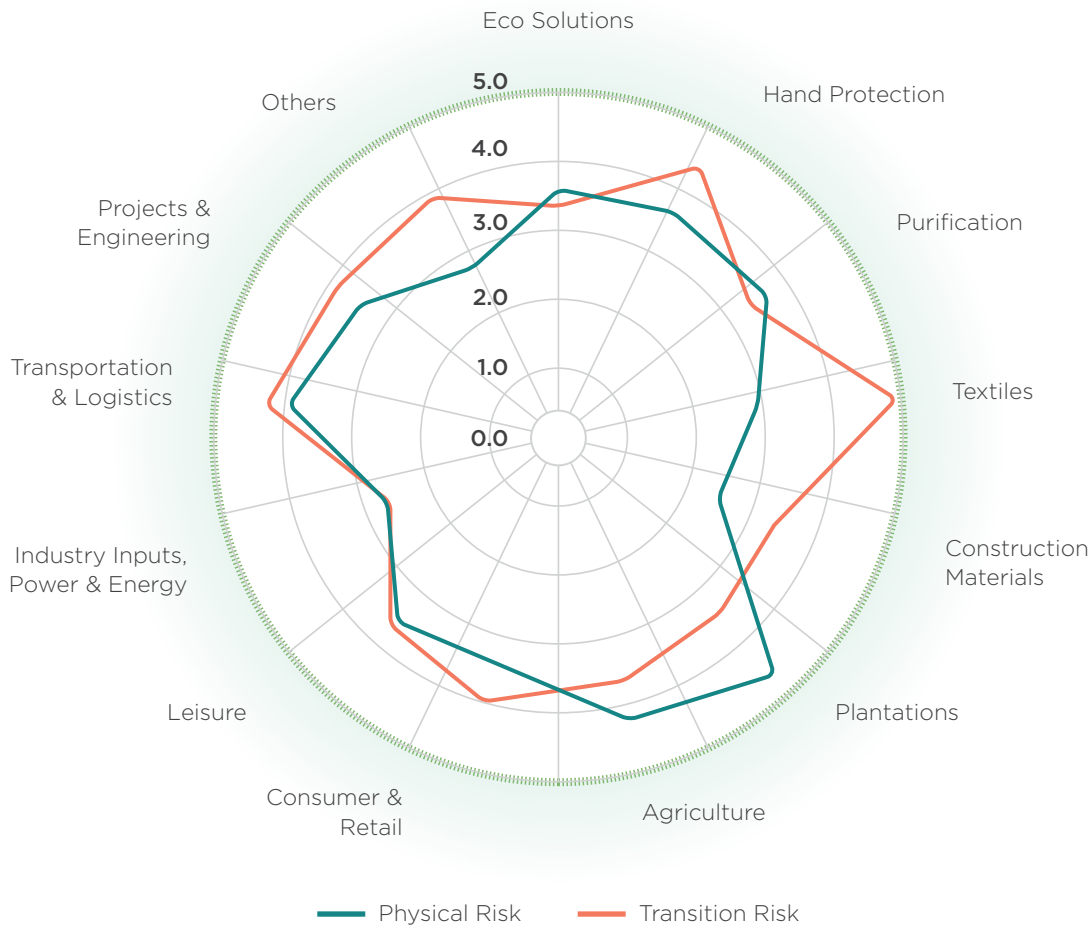
Board’s skills and expertise

When appointing directors, the expertise, skills, industry experience and competencies of each candidate are carefully evaluated to ensure alignment with the Group’s vision, strategic aspirations, risks and opportunities. The Board obtains external professional advice as required to carry out their duties more effectively including guidance on climate and broader sustainability related matters.

Committee mandates and responsibilities

The mandate of the Group and Sector-level ESG Steering Committees include the following (among others). Provide oversight and monitor the execution of Group and Sector-level CRROs connect to existing business risks. This ensures that material physical and transition risks are an input when formulating and implementing business strategies. The Group’s exposure to climate-related physical and transition risks are listed below.

Sector-level exposure to physical and transition risks

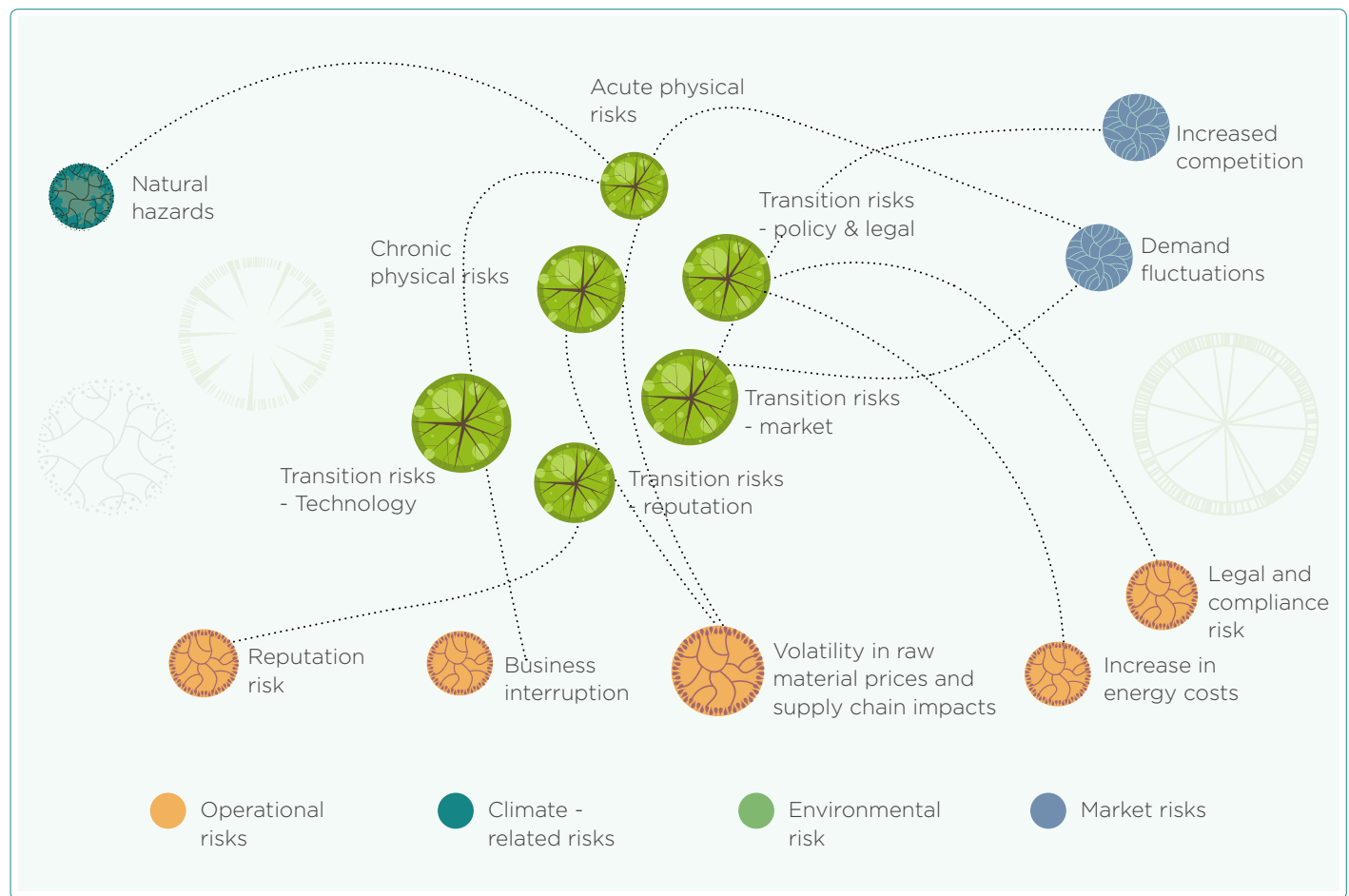


CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Group has identified a range of physical and transition risks that could have a significant impact its financial performance and value creation while informing its strategy. The table below represents a consolidated view of the Hayleys Group; further details on Sector-level risk exposures can be found in the respective Annual Reports. Given the current limitations in resources and capabilities across the Group, we have opted to discuss qualitative financial effects this year and will look to evolve our processes to determining quantitative effects over the next financial years.

LINK TO OTHER BUSINESS RISKS

The Group's business risk profile for 2023/24 is explained in detail in the Risks and Opportunities chapter of this Report on page 104. The following infographic demonstrates the link between these strategic, operational and other risks and the climate-related risks identified above. The size of the circle represents the magnitude of the risk.



CLIMATE RISK REPORT

Identified risks	Description	Time horizon	Vulnerable sectors	Current and
				Business model and value chain
ACUTE PHYSICAL RISKS				
Extreme weather events	Increased frequency and severity of extreme weather events such as floods, droughts and heat waves	Short and medium term	Plantations Agriculture Transportation & Logistics Hand Protection Purification	<ul style="list-style-type: none">• Direct implications on the quality, yield and quantities of agricultural crops produced and cultivated extent• Implications on cost, quality and security of agricultural input materials• Disruptions to internal operations, supply chains and distribution• Damages to physical assets and infrastructure
CHRONIC PHYSICAL RISKS				
Rising mean temperatures	Consistent increases in mean temperatures resulting in a higher number of extreme heat days	Medium and long term	Plantations Agriculture Hand Protection Projects & Engineering	<ul style="list-style-type: none">• Implications on the quality, yield and quantities of selected agricultural crop including tea and rubber and vegetables• Adverse implications on productivity of labour force• Escalation in cooling load requirements• Reduced efficiency of installed energy systems
Rainfall and precipitation patterns	Fluctuations in precipitation and rainfall patterns	Short, medium and long-term	Plantations Agriculture Hand Protection Industry Inputs, Power & Energy	<ul style="list-style-type: none">• Implications on the quality, yield and quantities of agricultural crop produced by the Group• Adverse impacts on the continuity of supply, quality and pricing of agricultural inputs• Implications on biomass harvesting, one of the Group's main energy sources• Damage to physical assets from extreme rainfall
Physical water availability	Fluctuations and limited availability in water supply stemming from the country's water scarcity	Short, medium and long-term	Plantations Agriculture Hand Protection Purification Eco Solutions	<ul style="list-style-type: none">• Operational disruptions for water-intensive sectors• Implications on the quality, quantity and yields of agricultural produce• Implications on employee productivity and well-being• Disruptions to supply chains
CLIMATE RELATED TRANSITION RISKS				
Policy and legal	Policy actions that constrain actions contributing to climate change and promote climate adaptation	Medium to long-term	Textiles Hand Protection Plantations Transportation & Logistics Agriculture	<ul style="list-style-type: none">• Increasing stringency of packaging, carbon, waste and supply chain related compliance standards and regulations, particularly from the European region necessitates investments in reformulating processes, driving product innovation and commitment to reducing emissions

anticipated impacts	Management response	
Financial implications	Strategy and decision-making	Resource allocation
<ul style="list-style-type: none"> • Revenue: Impacted by fluctuations in crop pricing and quantities • Operating costs: Cost stemming from operational disruptions, broad-basing supplier base and increased insurance costs • Capital expenditure: Repairs to potential infrastructure damage and investments in climate adaptation and mitigation 	<ul style="list-style-type: none"> • Crop diversification • Climate-smart agriculture solutions • Strategic development programmes across supply chains • Strengthening insurance arrangements 	Financial S&R Manufactured
<ul style="list-style-type: none"> • Revenue: Impacted by fluctuations in the price and quantity of agricultural produce • Operating costs: Cost stemming from increased energy consumption for cooling and impacts of reduced labour productivity • Capital expenditure: Investments in cooling technology 	<ul style="list-style-type: none"> • Crop diversification • Geographical diversification of operations and supply chains • Explore opportunities in climate resistant crop varieties • Energy-efficient cooling technology 	Financial Intellectual Human Manufactured
<ul style="list-style-type: none"> • Revenue: Implications stemming from fluctuations in the price and quantity of agricultural produce and changes in demand conditions • Operating costs: Expenses associated with repairing damaged infrastructure, increased insurance premiums 	<ul style="list-style-type: none"> • Geographical diversification of operations • Explore use of climate-resistant crop and seed varieties • Broad-basing and geographically diversifying supplier base • 	Financial Intellectual Social & Relationship
<ul style="list-style-type: none"> • Revenue: Adverse impacts stemming from potential reductions in agricultural production quantities • Operating costs: Increased costs of procuring alternative water supplies • Capital expenditure: Investments rainwater harvesting and effluent treatment plants 	<ul style="list-style-type: none"> • Rainwater harvesting and increased re-use of water • Water efficiency drives to increase optimisation of water resources • Nurturing a culture of water consciousness 	Financial Intellectual Social & Relationship
<ul style="list-style-type: none"> • Revenue: Non-compliance with emerging requirements can limit access to selected markets, thereby impacting revenue • Operating costs: Increased costs of compliance, carbon taxation, upskilling human capital • Capital expenditure: Investments in transitioning to renewable energy sources and modifying manufacturing infrastructure 	<ul style="list-style-type: none"> • Strategic emphasis on pursuing renewable energy sources • Ongoing monitoring of emerging regulations and formulation of action plans to ensure compliance • 	Financial Human Intellectual

CLIMATE RISK REPORT

Identified risks	Description	Time horizon	Vulnerable sectors	Current and
				Business model and value chain
Market	Shifts in supply and demand conditions with climate considerations featuring prominently in decision-making	Short, medium and long-term	Textiles Hand Protection Plantations Purification	<ul style="list-style-type: none"> Increasing eco-consciousness of consumers (particularly Gen Z) and demand for sustainable products Repurposing existing technology and reformulating products to drive sustainable innovation
Reputational	Risk stemming from changing customer/community perceptions of an organisation's transition to a low-carbon economy	Medium and long-term	Textiles Plantations Leisure Hand Protection	<ul style="list-style-type: none"> Strengthen ESG governance mechanisms to ensure that potential ESG risks are identified and managed appropriately Propagate sustainable practices along supply chains to broaden impact
Technology	Deployment of technologies supporting the transition to a low-carbon economy	Medium and long-term	Consumer & Retail Purification Transportation & Logistics	<ul style="list-style-type: none"> Reducing dependence on fossil fuels across all operations through transitioning to renewable energy Adoption of technology to optimise resource consumption and reduce wastage
OPPORTUNITIES				
New products and services	Developing green products and innovations that support the transition to a low carbon economy	Short, medium and long-term	Textiles Hand Protection Construction Materials Projects & Engineering Consumer & Retail Industry Inputs, Power & Energy	<ul style="list-style-type: none"> Product, process and packaging innovations targeted towards reducing lifecycle environmental impacts of products Potential to attract new customers and enter new markets through sustainable and low carbon product solutions
Energy transition	Transitioning to low emission energy alternatives such as solar, wind, hydro and biofuels	Short, medium and long-term	All Sectors	<ul style="list-style-type: none"> Adoption of low-emission energy alternatives aligned with Sri Lanka Net Zero Roadmap for 2030
Resource optimisation	Opportunities in reducing operating costs through increasing efficiency in production and distribution processes	Short and medium-term	All Sectors	<ul style="list-style-type: none"> Efficiency improvements in energy consumption, materials, water and waste management

anticipated impacts	Management response	
Financial implications	Strategy and decision-making	Resource allocation
<ul style="list-style-type: none"> • Revenue: Opportunity to access new markets with sustainable propositions • Operating costs: Increased cost of impact measurement and reporting, upskilling employees • Capital expenditure: Increased investments in R&D 	<ul style="list-style-type: none"> • Commitment to emission reductions across all Sectors through formal ESG roadmaps • Focus on embedding concepts of circularity into all operations and processes 	Financial Intellectual Human
<ul style="list-style-type: none"> • Revenue: Potential loss of revenue stemming from loss of customers due to reputational risks • Operating costs: Costs of compliance, reputational risk management and brand building 	<ul style="list-style-type: none"> • Establish formal grievance mechanisms to proactively identify emerging reputational risks • Ongoing compliance to an array of international and local ESG related certifications 	Financial Social & Relationships Human
<ul style="list-style-type: none"> • Operating costs: Costs of alternative energy sources and costs associated with discontinuing/displacing conventional technology • Capital expenditure: Investments in new green technology 	<ul style="list-style-type: none"> • Adoption of energy efficient process improvements • Deploying technology to measure and monitor environmental performance • Strategic emphasis on shifting sustainable and renewable energy sources 	Financial Manufactured
<ul style="list-style-type: none"> • Revenue: Potential for revenue growth through new customer and market access and sharpening competitive edge as a sustainable manufacturer • Operating costs: Costs associated with compliance and obtaining new product certifications • Capital expenditure: Investments in R&D and process innovations 	<ul style="list-style-type: none"> • Pursue opportunities in low-carbon, circular product solutions and sustainable packaging • Lifecycle assessments to across product categories to identify avenues to reduce product-level emissions 	Financial Manufactured Intellectual Human
<ul style="list-style-type: none"> • Revenue: Growth in solar installation solutions and energy storage • Operating costs: Over the long-term the shift to renewable/sustainable energy can reduce costs • Capital expenditure: Investments in new physical assets and infrastructure 	<ul style="list-style-type: none"> • Ongoing investments in renewable energy solutions 	Financial Intellectual
<ul style="list-style-type: none"> • Operating costs: Direct cost savings • Capital expenditure: Investments in energy efficient technology, circular solutions, water usage and treatment solutions 	<ul style="list-style-type: none"> • Resource optimisation targets across all sectors in line with the Group's ESG Roadmap 	Financial Manufactured Intellectual

CLIMATE RISK REPORT

OUR CLIMATE STRATEGY

The Group's climate strategy is designed to mitigate its key physical and transition risks and support climate resilience while fulfilling the environmental aspirations set out in the Hayleys Lifecode. Sector-level initiatives are broadly aligned to the Group climate strategy, thereby facilitating greater impact and a consistent approach across the Group. We intend to review the policy at least every two years to ensure relevance to emerging regulations, evolving customer requirements and shifting risk landscapes. The Group's climate strategy is articulated around the following four levers:



Key actions and achievements in each of these areas is summarised below:

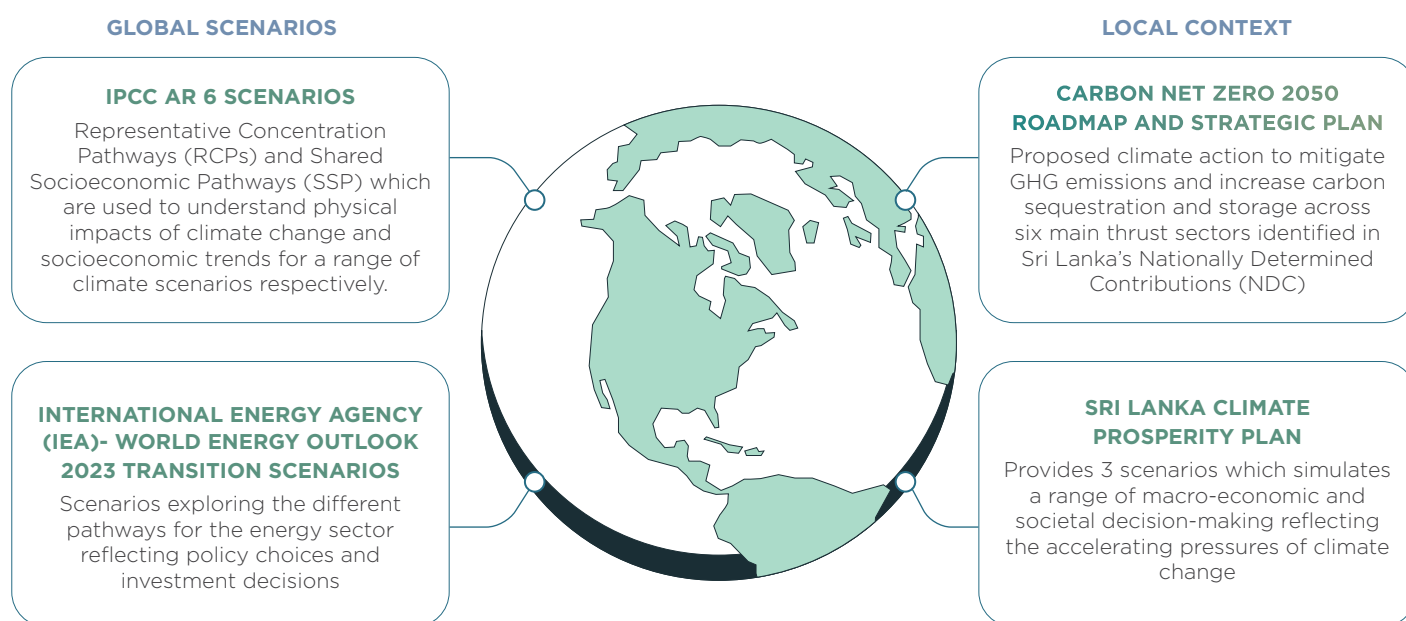
Climate strategy	Progress made in 2023/24
Operational interventions	<ul style="list-style-type: none"> Increasing reliance on renewable and sustainable energy sources, which accounted for 68% of the Group's total energy consumption Energy efficiency drives across the Group, particularly in the hand protection, purification sectors Waste to value initiatives driving circularity across operations which reduce the Group's landfill waste
Value chain interventions	<ul style="list-style-type: none"> Supporting Sri Lanka's transition to a low-carbon economy through the Group's Projects and Engineering Sector- Hayleys Fentons, which accounts for approximately 30% of Sri Lanka's domestic solar installed capacity Introducing energy efficient solutions for industries through Hayleys Aventura Driving emission reductions across supply chains through initiatives such as, <ul style="list-style-type: none"> Haritha Angara in the Purification Sector
Integrating climate considerations	<ul style="list-style-type: none"> Establishment of ESG Steering Committees at Sector level with oversight responsibility on driving Sector-level ESG roadmaps Integration of ESG risk assessments with existing risk management processes Integration of ESG considerations during the Group's budgeting and financial planning processes Developing the Group's climate action skills through ongoing training and development programmes
Leveraging opportunities	<ul style="list-style-type: none"> Pursuing access to new markets through low-carbon product solutions (i.e Hand Protection Sector and Construction Materials Sector) Driving long-term cost reductions through increased investments in solar

SCENARIO AND STRESS TESTING

The Group commenced climate-related scenario analysis during the year under review, in line with the requirements of the IFRS S2 – Climate-related disclosures and the guidelines of TCFD. Conducted as a qualitative exercise in the first year of application, scenario analysis is used to assess the potential business implications of climate change on the Group's portfolio and assess the range of potential adaptation and transition actions that may be needed to ensure business resilience.

Methodology

The Group's scenarios were developed in line with the principles outlined in the TCFD Framework. The selected scenarios are based on international physical and transition climate scenarios and sensitised to reflect the local context based on the country's climate risk profile and national climate action agenda as listed below. This approach facilitated alignment with international scenarios, ensuring that the global context was considered. A cross-sector scenario team was also established with the aim of fostering knowledge sharing and industry-specific insights. Details on scenario inputs are listed below:



GLOBAL SCENARIOS

The following global physical and transition climate scenarios were considered when developing the Group's climate scenarios.

Source	Scenario	Key assumptions
IPCC AR 6	C3/SSP 1-2.6	Low emission scenario with the increase in global warming limited to 2°C by 2100 and net zero status achieved between 2055 and 2060 supported by a near 65% reduction in GHG emissions by 2050
	C6/SSP 2-4.5	Intermediate emission scenario with global temperature projected to increase by 3°C in 2100 compared to pre-industrial levels
	C7/SSP 3-7.0	High emission scenario with global temperatures projected to increase by 4°C in 2100 compared to pre-industrial levels
IEA 2023	Net Zero Emission (NZE) Scenario	Demonstrates the pathways for the energy sector to help limit the global temperature rise to 1.5 °C through universal access to reliable modern energy services and successful achievement of key energy-related SDGs
	Announced Pledges Scenario (APS)	Assumes that governments will meet, in full and on time, all announced climate related commitments including longer term net zero targets and pledges in Nationally Determined Contributions (NDCs)
	Stated Policies Scenario (STEPS)	Reflect the policies and measures that are actually in place and what governments are doing to meet their targets. The STEPS are associated with a temperature rise of 2.4 °C in 2100 (with a 50% probability).

CLIMATE RISK REPORT

LOCAL SCENARIOS

The Sri Lanka Climate Prosperity Plan simulates three scenarios, taking into consideration official climate commitments, adaptation measures and transition pressures.

Local scenario	Key assumptions
Business as usual (BAU)	Continuation of the current development trajectory of the country with limited climate-related interventions
Nationally Determined Contributions (NDC) scenario	Represents core commitments presented in the country's NDC and shows the development pathway if the Paris Agreement NDC targets are met
Climate Prosperity Plan (CPP)	Pathway in which the country achieves maximum utilisation of its domestic renewable energy resources and fully climate-proofs the economy






GROUP SCENARIOS

The three scenarios developed by the Group for qualitative assessment are summarised in the table below, together with referenceable global and national level scenarios. Given limitations in resources and availability of quantitative models and the complexity of the Group, Hayleys has opted for qualitative scenario analysis this year, as permitted in the transitional relief allowed for the implementation of IFRS- S2. The Group will explore the possibility of implementing quantitative scenario analysis and stress testing over the next few years.

Our scenario	Description and assumptions	Reference global scenarios	Local context
Scenario A- Net Zero	<ul style="list-style-type: none"> Sri Lanka meets its conditional and unconditional NDC commitments achieving rapid decarbonisation of energy systems and technically, socially and financially feasible transition plans. Significant reduction in the demand for fossil fuels and pricing strategies for fuel which in turn leads to steep declines in emissions The increase in global temperature is limited to 2°C while Sri Lanka's temperature rise will be lower than the global average, estimated around 1.2°C Forest cover rebounds beyond the NDC target Sri Lanka will see 70% of its energy requirement fulfilled by renewable sources by 2030, while electricity will be fully generated by low carbon resources Extensive investments in mitigation efforts 	C3/SSP 1-2.6 NZE	CPP
Scenario B-Current pathway	<ul style="list-style-type: none"> The country meets its unconditional NDC commitments, meetings its adaptation ambitions and sectoral reduction targets Limited external investments in technology and funding to drive the transition to low carbon Average temperatures expected to increase by approximately 2.5°C 	C6/SSP 2-4.5 APS	NDC
Scenario C-Divergence	<ul style="list-style-type: none"> Global and local implementation gap to achieve decarbonisation goals with significant weather-related impacts on businesses and communities No specific climate related interventions and represents a continuation of the current trajectory 	C7/SSP 3-7.0 STEPS	BAU

RISK FACTORS

The Group's climate scenario analysis identified and prioritised five material risks based on the relative exposure of our Sectors to selected risks. Given that the Group is still at an early stage of evolution in its scenario analysis journey, only these five prioritised risk factors will be considered in its qualitative analysis this year. As the Group further progresses in its scenario analysis journey, a wider pool of risks will be considered. Risks considered this year include,

-  Precipitation and rainfall
-  Temperature
-  Physical water availability
-  Policy and legal developments
-  Market risks

OUTPUTS

The results presented below represent the Group's qualitative results in climate-related scenario analysis. The table summarises the outcomes of our climate scenario analysis across the selected 3 physical risks and 2 transition risks. We will continue to grow our capacity in this area to identify and assess the possible climate-related outcomes on our business which in turn will support potential management actions and strategic interventions.

Scenarios in which risk is most material			Precipitation and rainfall	
A	B	C	Summary of qualitative assessment	Response and resilience of our strategy
	✓	✓	<p>Under scenarios associated with a higher increase in global temperature, more frequent droughts are expected in Sri Lanka's dry and intermediate zones. Climate predictions also project increased variability of rainfall, with the intensity of sub-daily extreme rainfall events escalating and volume of water deposited during future 5-day heavy rainfalls also rising . For the Group as illustrated below, significant implications could be expected across several sectors relying on agricultural raw materials, sectors engaging in plantations and those catering to the agriculture sector through input materials, equipment.</p>	<p>The Plantation Sector is pursuing increased diversification of its crops, given the high sensitivity of tea to weather conditions. Data-driven monitoring of precipitation and rainfall patterns will assist in identifying correlations between these variables and crop quality, yield and quantity. Further investments may be required over the medium-to-long in suitably leveraging technology for precision agriculture techniques and minimising the impact of weather variability.</p>

Time horizon			Scenarios	A-Net Zero	B-Current	C-Divergence
ST	MT	LT				
	✓	✓	Adversely impacted Sectors	Large- Plantations/ Agriculture Medium- Power & Energy	Large- Plantations/ Agriculture/Power & Energy Medium: Hand protection/ Purification/Textiles	Large- Plantations/ Agriculture/ Power & Energy/ Hand protection/ Purification Mid- Textiles/ Consumer & retail/Projects & Engineering

CLIMATE RISK REPORT

Scenarios in which risk is most material			Temperature			
A	B	C	Summary of qualitative assessment		Response and resilience of our strategy	
	✓	✓	The average temperature rise in Sri Lanka is expected to be lower than the rise in global temperatures across all emission pathways . The projected rises are expected push ambient temperatures above 30°C on a much more regular basis, and considerably increase the frequency of temperatures over 35°C. Temperature increases have a direct impact on quality, yield and quantity of agricultural products. In addition, elevated temperatures will impact labour force productivity, escalation in cooling load requirements as well as implications on human health and morbidity.		In Plantations and Agriculture. The Group is pursuing climate-smart agriculture techniques including climate resistant seed varieties and regenerative practices. Crop diversification is also being explored, with the aim of increasing contribution from climate-resistant crops. The Group is also building resilient agriculture based supply chains through capacity building across smallholder networks. In addition, major sectors are also pursuing diversification of supply chains in minimising the rise against climate change.	

Time horizon			Scenarios	A-Net Zero	B-Current	C-Divergence
ST	MT	LT				
		✓	Positively impacted Sectors	-	Large- Consumer & Retail	Large- Consumer & Retail/
			Adversely impacted Sectors	Large- Plantations/ Agriculture	Large- Plantations/ Agriculture/ Medium: Hand protection/ /Eco Solutions/Power & Energy	Large- Plantations/ Agriculture/Power & Energy/ Hand protection Mid- Textiles/Consumer & retail/Eco Solutions/Projects

Scenarios in which risk is most material			Market risks			
A	B	C	Summary of qualitative assessment	Response and resilience of our strategy		
✓	✓		As a Group with significant interests in global markets, several of our sectors are increasingly seeing escalating customer requirements on environmental and social sustainability and responsible business. These dynamics will necessitate a rewiring of our businesses and reshape business models, presenting both risks and opportunities across our Sectors. Key implications stem from customers' emission reduction journeys (which in turn have an impact on fuel consumption, product usage emissions and end of life emissions), responsible packaging, requirements for reducing waste and driving circularity among others. While in the short to medium term, these may require financial outlays, over the long-term these dynamics could present opportunities to access new markets and sharpen competitive advantage.	Key sectors such as Textiles and Hand Protection are already seeing the implications of evolving customer dynamics and are transforming their business lines accordingly. Ongoing engagement with customers and our global networks have enabled the Group to proactively identify emerging customer requirements on sustainability and cater to them through interventions across operations and supply chains. Over the medium-to-long term, further investments will have to be made in embedding these practices across our operations and value chains		
Time horizon			Scenarios	A-Net Zero	B-Current	C-Divergence
ST	MT	LT				
✓	✓	✓	Adversely impacted Sectors	Large- Hand Protection/ Textiles/ Purification/ Construction Materials Medium- Eco Solutions/ Plantations	Large- Textiles/Hand Protection/Construction Materials/Purification Medium- Plantations/Eco Solutions	Medium- Textiles/ Hand Protection

Scenarios in which risk is most material			Policy and legal developments	
A	B	C	Summary of qualitative assessment	Response and resilience of our strategy
✓	✓		The Net Zero scenario (A) is aligned with Sri Lanka's climate ambitions as articulated in the Climate Prosperity Plan 2022 and includes policy developments which aims to transition domestic energy supply through renewables, modernisation and sustainable transport, drive climate secure transformations, climate protection against key risks, and technology partnerships among others. Key implications on the Group stem from potential regulations set out in the CPP which could require investments associated with the shift to renewable energy as well as upgrades to existing manufacturing infrastructure and higher costs of fossil fuels. The global regulatory landscape has a direct impact on export-oriented sectors through mechanisms such as the Carbon Border Adjustment Tax (CBA) and packaging regulations under the European Green Deal among others.	As an export-oriented business, Sectors in partnership with the Group ESG Division is proactively monitoring regulatory developments, particularly from the EU. Sectors will require increased investments in product development, packaging innovation, emission reductions along the value chain and supply chain interventions to ensure compliance to the relevant regulatory frameworks. While over the short-term the Groups is prepared to comply with major regulations, investments in processes, resources, technology and capabilities will be required in the medium-to-long term to comply with emerging developments.

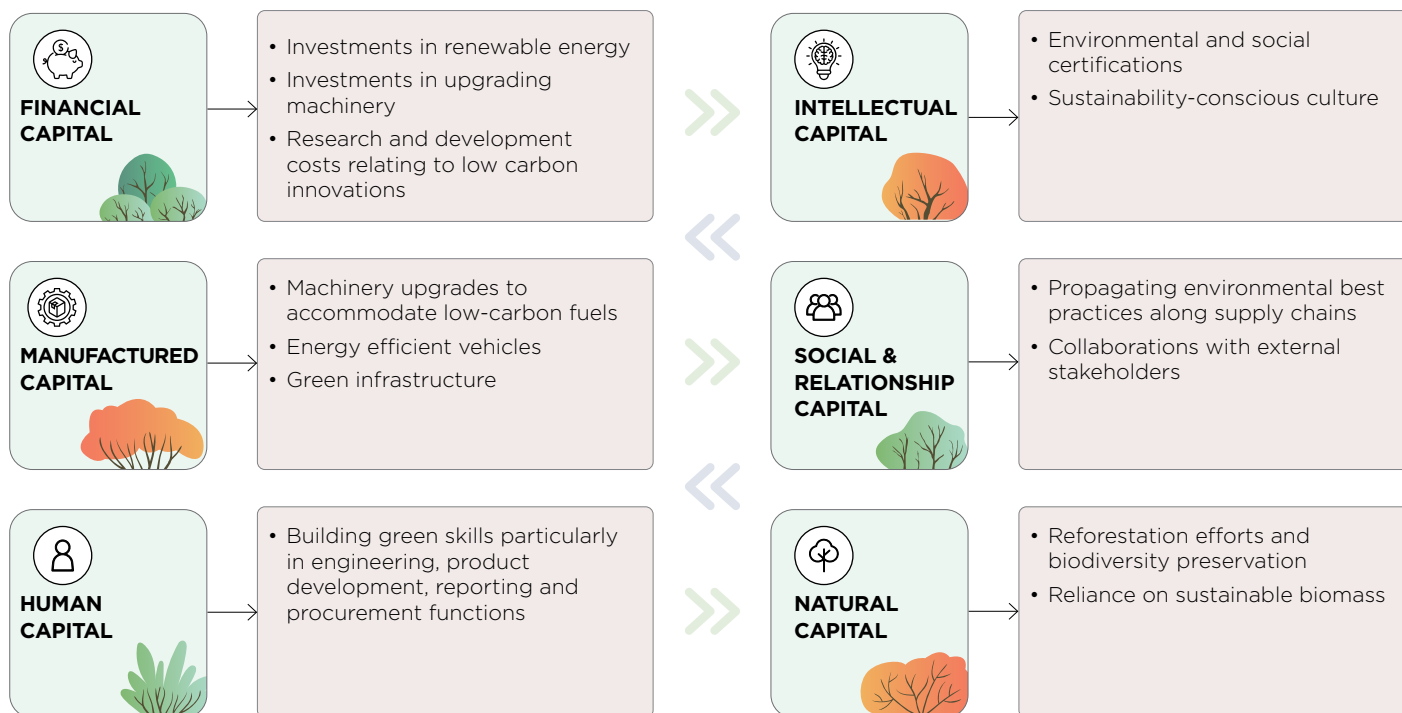
Time horizon			Scenarios	A-Net Zero	B-Current	C-Divergence
ST	MT	LT				
✓	✓	✓	Positively impacted Sectors	Large- Projects & Engineering Power & Energy	Medium- Projects & Engineering Power & Energy	
			Adversely impacted Sectors	Large- Textiles/Hand Protection/Purification/Transportation/Construction materials	Medium- Textiles/Hand Protection/Purification/Transportation/Construction materials/Eco Solutions	Medium- Projects & Engineering

Scenarios in which risk is most material			Physical water availability			
A	B	C	Summary of qualitative assessment		Response and resilience of our strategy	
		✓	Despite favourable geographical positioning, Sri Lanka has in recent years experienced areas of water scarcity with more frequent intermittent droughts, sometimes extending over several months. Globally, these impacts are also expected to damage key staple crop yields, even on lower pathways. In addition to adverse effects for agricultural water supply (which in turn have an impact on crop production and Sectors relying on agricultural input materials) energy generation and human health, water scarcity has a direct impact on the Group's water-intensive manufacturing sectors including Textiles and Hand Protection.		The Group's target is to fulfill 50% of its water requirements through rainwater and treated used water by 2030. However, given increased variability in rainfall and water availability as well as current reuse levels, the Group may require increased investments to achieve this target. Meanwhile, key manufacturing sectors within the Group are also pursuing process changes which limit water usage, thereby increasing the efficiency of water consumption.	
Time horizon			Scenarios	A-Net Zero	B-Current	C-Divergence
ST	MT	LT				
✓	✓	✓	Adversely impacted Sectors	Large- Plantations/Agriculture Medium- Textiles	Large- Plantations/Agriculture/Textiles/Hand Protection Medium- Power & Energy/Purification	Large- Plantations/Agriculture/Power & Energy/Hand protection/Textiles/Purification/Leisure Medium- Eco Solutions

CLIMATE RISK REPORT

CAPITAL DEPLOYMENT

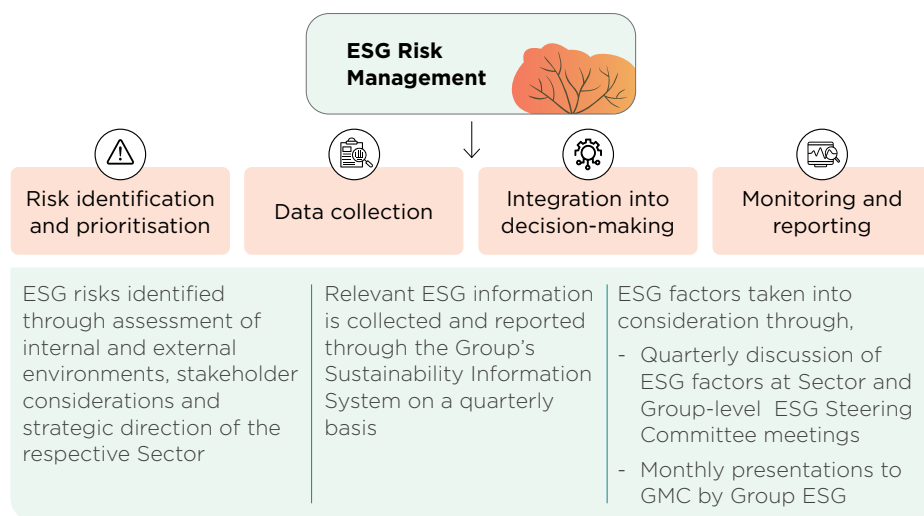
Resources required to drive the Group's climate agenda, through both mitigation and adaptation are illustrated below:



RISK MANAGEMENT

Effective management of the Group's climate risks requires close collaboration between business Sectors and Group risk and ESG functions. Risk identification and management applies to all sectors, geographies and operating locations across the Group as well as the Group's supply chains and customers. The Group is also currently in the process of integrating mechanisms into its overall enterprise- risk management framework, thereby enabling integration of climate considerations into strategic decision-making. The governance mechanism in place for managing CRROs is given below.





- Horana Plantations PLC
- Transportation and Logistics Sector
- Martin Bauer Global Beverages

Entities excluded in this year's computation are,

- Kenyan operation of Mabroc

Maturity of our Scope 3 emission accounting

We have gradually improved the coverage of our Scope 3 accounting in line with the recommendations of the GHG Protocol. Given the size, diversity and complexity of the Group, we have focused on 5 categories of Scope 3 emissions for the year, with the intention of further expanding our coverage in the next financial year. Meanwhile, several sectors (particularly Sectors which have committed to SBTi) report all categories.

Sector	Scope 1	Scope 2	Categories captured under Scope 3
Eco Solutions	✓	✓	
Hand Protection	✓	✓	
Purification	✓	✓	
Textiles	✓	✓	All 15 categories covered
Construction Materials	✓	✓	
Plantations	✓	✓	
- Talawakelle Tea Estates			
- Kelani Valley Plantations	✓	✓	All 15 categories covered
- Horana Plantations			
Consumer & Retail	✓	✓	
Leisure	✓	✓	
Industry Inputs, Power & Energy	✓	✓	
Transportation and Logistics	✓	✓	
Others	✓	✓	

METRICS AND TARGETS

Carbon footprint computation methodology

The Group computes its carbon footprint based on the GHG Protocol-Corporate Accounting and Reporting Standard (revised edition). Hayleys also conducted a Group-wide verification of its carbon footprint in accordance with ISO 14064-1(2018)- Greenhouse Gas (GHG) through engaging Sri Lanka Climate Fund.

Scope and boundary

The Group's carbon footprint computation includes all 14 Sectors and over 180 companies which includes both the Group's local and overseas operations. In accordance with the Group's ESG Roadmap, new acquisitions and operating locations are given a grace period of 1 year to report its emissions. New entities added to the Group's GHG computation during the year are,

CLIMATE RISK REPORT

Performance against targets

At a Group level, Hayleys has committed to a 30% reduction in its Scope 1 and 2 emissions and a 10% reduction in its Scope 3 emissions by 2030. Aligned to this target, Sector-level targets have also been established through Sector-level ESG Roadmaps. In addition 2 entities have obtained verification of emission targets by the Science-Based-Targets-Initiative (“SBTI”) while 2 others have committed to the same.

SBTI TARGETS VERIFIED

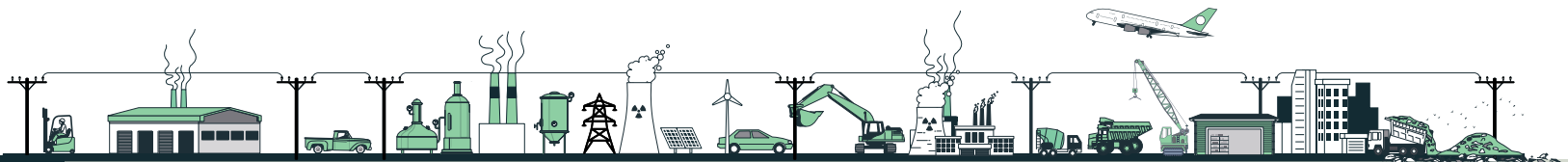
Talawakelle Tea Estates PLC
Hayleys Fabric PLC

COMMITTED TO SBTI

Kelani Valley Plantations PLC
Horana Plantations PLC




Sector	Scope 1	Scope 2	Scope 3	Sector Total 2024	% Share by sector (2024)	Sector Total 2023
Manufacturing						
Eco Solutions	882	3115	1,524	5,522	3	7,043
Hand Protection	6,672	13,530	5,534	25,735	12	26,893
Purification	10,903	13,485	2,308	26,696	12	28,396
Textiles	21,515	16,259	6,178	43,953	21	53,998
Construction Materials	4,527	3418	1,574	9,519	5	8,880
Agriculture	1,805	864	1,753	4,422	2	4,604
Plantations	17,433	5,747	2,941	26,122	12	18,710
Tea Exports	128	166	90	384	-	442
Transportation and logistics	34,589	2,136	9,138	45,863	22	35,323
Consumer & Retail	478	6,166	2,649	9,293	4	11,155
Leisure	6,699	5,369	676	12,744	6	10,674
Industry Inputs Power & Energy	255	381	168	803	-	480
Projects and Engineering	537	225	670	1,432	1	1,487
Others	102	289	200	592	-	1,479
Total by Scope	106,525	71,150	35,403	213,078	100	209,564

During the year, the Group's total emissions increased by 2% y-o-y; however, when excluding the new acquisitions during the year (particularly Horana Plantations PLC) the Group's total emissions recorded a 2% decline y-o-y, reflecting the ongoing focus on shifting to renewable energy sources.



WAY FORWARD

As an election year, we are cognisant of the economic challenges that could arise in the short-term. Despite these risks, we remain cautiously optimistic that the economy will gain momentum over the medium term, supported by continued commitment to the structural reforms, contributions from remittances and the tourism sector and conducive fiscal and monetary policy which will ensure that inflation and exchange rates remain well within budget. coordinated policy interventions to restore macro-economic stability. The Central Bank expects the economy to grow by 3% in 2024 reaping the benefits of the relatively eased monetary conditions and low inflation environment. Against this backdrop, the Group's key priorities for the 2024/25 financial year is given

Actions and deliverables	
 IMMEDIATE TERM	<ul style="list-style-type: none"> • With the exchange rate likely to remain at the present levels in the short-term, export oriented businesses will seek to drive increased contributions from value-added products, enhance efficiencies and drive continued cost reductions in order to remain competitive. • Focus will be placed on optimising working capital in these sectors, with the aim of reducing inventory build-up and strengthening liquidity positions. • Product strategies across key verticals will center on premium, value-added offerings which can strengthen the resilience of the operating model in the long-term • Talent retention remains a critical challenge in the current context and we will relentlessly pursue productivity improvements, effective use of underutilised assets as well as skill building and capacity improvements. • As interest rates trend downwards, the Group will continue to leverage its excellent relationships with banks in negotiating favourable terms.
 MEDIUM TERM	<ul style="list-style-type: none"> • In the medium term, the Group will continue to direct investments towards strengthening its foreign currency generating capabilities through enhancing export-oriented sectors. • Organic and inorganic growth will be pursued in complementary sectors and businesses, enabling Hayleys to sharpen its competitive edge in selected verticals • Digitalisation remains a key priority over the short-to-medium term as the Group seeks to drive efficiencies, obtain richer data insights and enhance productivity through investments in digital transformation. • As the country's tourism sector posts gradual recovery, we will seek to refine our product and service offering, building a healthy mix between domestic and international travellers
 LONG-TERM	<p>As the Group's mature businesses continue to grow, albeit at a relatively slower pace, we will also seek to drive more accelerated growth in new industry sectors such as consumer durables, climate-smart agriculture and leisure which present significant upside potential.</p>





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